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Report

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

on the first report of the activities of the new European Social Fund – financial year 1972

Rapporteur: Miss A. LULLING

By letter of 21 November 1973 the Committee on Social Affairs and Employment requested authorization to draw up a report on the 'first annual report on the activities of the new European Social Fund - Financial year 1972' (SEC(73) 3536 final).

Authorization was given by the European Parliament at its meeting of 6 December 1973. The Committee on Budgets was asked for its opinion.

The Committee on Social Affairs and Employment appointed Miss Lulling rapporteur on 21 November 1973.

It considered the draft report at its meetings of 22 and 23 January and 19 and 20 February 1974, and unanimously adopted the motion for a resolution and the explanatory statement at its meeting of 20 and 21 March 1974.

The following were present: Mr Bertrand, Chairman; Mr Marras, Vice-chairman; Miss Lulling, rapporteur; Mr Artzinger, Mr Durand, Lady Elles, Mr Van der Gun, Mr Lucius, Sir John Peel, Mr Pêtre, Mr Pisoni, Mr Vermeylen and Mr Wieldraaijer.

The opinion of the Committee on Budgets is attached to this report.

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A

The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the first annual report on the activities of the new European Social Fund - financial year 1972

The European Parliament,

- having regard to the annual report on the activities of the new European Social Fund - financial year 1972 (SEC (73) 3536 final),

- having regard to the report of the Committee on Social Affairs and Employment and the opinion of the Committee on Budgets (Doc. 18/74),

1. Notes that the first annual report which in fact covers an initial period of only a few months, is purely descriptive and does not enable it to exercise its powers of control or to form a proper assessment of the effectiveness of the machinery of the new Social Fund;

2. Deplores the fact that, during its first year of activity, the new Fund did not succeed in discharging the tasks entrusted to it in a fully adequate manner;

3. Expects the next report for 1973 to indicate the problems which arise from application of the new texts and from the choices made as a result of the imbalance between funds available and the number of applications submitted;

4. Notes that in 1972 applications made by the Member States were mainly aimed at securing Community financing for operations designed to solve problems arising neither directly nor indirectly from the working of the Common Market, whereas projects for operations designed to adjust manpower supply and demand to the requirements of technical progress were all too rare;

5. Notes with satisfaction that, according to information provided by the Commission after publication of the 1972 report, the Commission has been able to restrict the tendency of Member States to base their use of the Social Fund on the old concept of a fair return by selecting those applications which first and foremost defended Community interests;

6. Regrets that neither public authorities nor private organizations have made sufficient use of the intervention possibilities available under Article 4, which are at present limited to agriculture and textiles;

7. Stresses the need for studies and pilot schemes, and for measures ensuring that all those concerned, particularly private organizations, are made fully aware of the possibilities of assistance offered by the new Social Fund;

8. Approves the Commission's intention to adopt a truly Community concept for granting aid from the Social Fund by taking action under Article 4 based on joint programmes and common policies, in particular for the benefit of handicapped persons and migrant workers;

9. Recalls the position of the European Parliament on the difficulties of implementing the provisions of the European Social Fund regulation on the retraining of women over 35 who wish to take up employment, and believes that consideration should be given to using Article 4 for the promotion of a common policy designed to ensure equality between men and women, particularly as regards access to employment and vocational training and advancement as adopted in the Council Resolution on a social action programme;

10. Recalls its opinion on the proposal from the Commission to the Council on European Social Fund aid to persons engaged in the clothing sector; requests the Council to revise its negative attitude on the granting of aid under Article 4 to persons working in that sector, and invites the Commission to submit new proposals;

11. Recalls also its opinion on the introduction of aid to meet the cost of maintaining, for a maximum of six months, the income of persons awaiting employment after retraining; regrets that this proposal has not yet been adopted by the Council and requests it to reconsider its position;

12. Draws the Commission's attention to the possible effects of the present energy crisis on employment in certain areas, and requests it to consider extending aid under Article 4 to action aimed at countering the effects on employment of structural changes connected with changes in energy prices and the energy shortage;

13. Notes that the imbalance between the funds available and the applications received has obliged the Commission to lay down selection and priority criteria and make choices which involve risks of injustice;

14. Stresses that the selection which the Commission is forced to make because of lack of funds should be based on Community interests and not on national interests;

15. Insists that budgetary estimates should in future provide a more realistic reflection of the need for sufficient funds to meet applications for aid in order to render the new European Social Fund, intended by the Community to promote its policy of full and better employment, capable of intervening flexibly, rapidly and effectively, not only to remedy the problems arising from the Common Market and adapt manpower requirements to the changing situation, but also to assist the implementation of the Social Action Programme;

16. Draws the Commission's attention to the problems of supervising projects implemented with aid from the Fund and invites it to devote one chapter of its next report on activities in 1973 to these problems;

17. Instructs its President to forward this resolution and the report of its committee to the Commission and Council of the European Communities.

B

EXPLANATORY STATEMENT

A. General observations

1. The first annual report on the activities of the new European Social Fund in the 1972 financial year in fact covers only a few months, namely from 1 May, when the new Fund came into being, to 31 December 1972. This period was not long enough to allow the Members States and entities governed by private law authorized to apply for aid to familiarize themselves with the working of the Fund. Furthermore, during 1972 no application could be made under Article 4 of the Council Decision of 1 February 1971, since the two categories 'workers engaged in the textile sector' and 'persons leaving agriculture' did not become eligible for assistance under this article until the end of 1972.

2. These difficulties, arising from the fact that in this initial period the new Fund was not yet fully operational, explain why the first report on the Fund's activities referred to the Committee on Social Affairs was purely descriptive. This made it very difficult to form a proper assessment of the experience gained in the first few months of the new Fund's activities, and your committee finds itself in an equally difficult situation. On reading this first report it is still impossible to say to what extent the new machinery meets the needs and objectives defined in the Decision of 1 February 1971 and in the various implementing regulations, or the tasks assigned to the new Fund.

3. It should also be noted that the report was submitted late, on 9 October 1973, whereas Article 6 of Regulation 858/72 stipulates that the report on the Fund's activities must be submitted before 1 July of the year following the financial year to which it refers.

Your committee urges the Commission of the European Communities to submit its report for the 1973 financial year within the prescribed time limit. This should not present any difficulties since the Fund's starting-up period may now be regarded as over.

4. The Commission's initial proposals on the implementing regulations for the Decision of 1 February 1971 had made no provision for an annual report. The European Parliament, in its opinion, had insisted (see Report by Miss LULLING Doc. 66/71) on the need for such a report, feeling that it required 'an annual report on the activities of the Fund in order to be able to express

informed opinions and to have at its disposal an essential budgetary instrument. The annual report also provides the proper means for verifying the continuity of objectives each year and for ensuring a correct relationship between appropriations and the sums needed for the implementation of these objectives'.

This report should enable the European Parliament to 'exercise effective political and budgetary control with a full knowledge of the facts'[1].

5. Regrettably, for the reasons already mentioned, the first annual report on the Fund's activities does not enable Parliament to exercise its powers of control satisfactorily. Nor does it enable it to formulate suggestions and proposals for modifying the existing regulations with a view to eliminating inadequacies, since the period covered is not long enough for an assessment of the effects and shortcomings of the new provisions.

The 1973 report should therefore end with a conclusion outlining the problems facing the Commission after the new Fund has been in operation for two years. The European Parliament will then be able to express a more explicit opinion on the Fund's activities and to give the Commission suggestions and advice on the best use of funds available on the basis of a political choice which the Parliament alone, as the representative of public opinion in the Community, is entitled to make.

The next report for the 1973 financial year must therefore be more comprehensive if it is to meet the needs which led your committee to call for it.

6. Your committee notes that in 1972 many of the applications made by Member States or private organizations although admissible and in conformity with the regulations in force, could not be approved by the Commission:

- either because the conditions and limits laid down in the Regulation of 8 November 1971 implementing the Council Decision of 1 February 1971 on the reform of the European Social Fund are so restricitive as to exclude, for example, operations aimed at retraining women over 35.

- or because of a shortage of funds, which meant that the Commission had to choose between applications after consulting the Fund Committee.

The next report on activities in 1973 should therefore enumerate the problems arising from this situation to help the European Parliament in making suggestions:

(1) for amendments to the provisions governing assistance from the Fund so as to extend the range of activities eligible for aid under Article 4 of the Council Decision;

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[1] Report by Miss LULLING Doc 66/71 page 17.

(2) for the appropriations to be earmarked in the following budgetary year in order to save the Commission from having to make arbitrary decisions in the face of insufficient funds.

7. The following example shows how past experience in connection with applications which, for one reason or another, could not be approved, might be turned to good advantage.

It concerns a project your rapporteur had occasion to mention during a debate at the November 1973 part-session on two oral questions to the Commission and Council on the working of the new European Social Fund.

This project, drawn up by the National Institute for the Advancement of Women, was intended to help housewives over 35 who wished to resume work or whose qualifications after a lapse of time were no longer those in demand.

Under the existing provisions an operation of this nature must:

(a) either be carried out in areas which, because they are less developed or there is a decline in the main activities, suffer a serious and prolonged imbalance in employment, or

(b) concern women employed by a single group of undertakings in difficulties and engaged in the same activities.

The project was considered ineligible because the retraining scheme was to be carried out in the Lille area and because it would have been impossible to ensure that all the women concerned were, for example, former textile workers.

8. As the Commission representative pointed out, this example clearly demonstrates the dilemma with which the Commission is faced;

- if it interprets the existing regulations too freely and tries to extend aid under Article 4 to the largest possible number of sectors, it runs the risk of being submerged in an avalanche of applications as was the case in 1972 and 1973 with projects for handicapped persons, a sector on which practically no restrictions had been imposed in Community regulations;

- on the other hand, if the Commission interprets and applies the regulations too restrictively, it runs the risk, as for example in the abovementioned case of the project for women, of denying Social Fund aid to categories and sectors which by their very nature are eligible for it.

9. The only way in which the Commission can solve this problem is by adopting a truly Community approach to aid from the Fund, in other words, by assessing projects to be financed by the Social Fund not on the basis of their national interest but on the basis of their Community interest, in so far as they fall within the scope of a policy or action programme laid down at Community level.

Extension of aid under Article 4 to women would thus be fully justified since a Community programme on this subject has already been approved in principle by the Council, and the Commission plans to submit the programme in the near future.

In fact, in the resolution concerning a social action programme,[1] the Council expressed its intention to 'undertake action for the purpose of achieving equality between men and women as regards access to employment and vocational training and advancement and as regards working conditions, including pay'and to'ensure that the family responsibilities of all concerned may be reconciled with their job aspirations'. The Commission put emphasis on the introduction of instruments for defining an employment policy for women and proposed Community action on behalf of women in the list of actions for the purpose of achieving full and better employment in order to attain the objectives of the above Council resolution. The European Parliament also supported the proposal for Community action to solve the problems of women and requested the Commission 'to propose action by the European Social Fund (Article 4) to help women over 35 years of age to re-enter the labour market, on the grounds that the current provisions of paragraph 2 (c) of Article 1 of Regulation (EEC) No. 2396/71 on the application of the Council decision concerning the new European Social Fund are inapplicable.'[2]

10. In the same spirit, the Commission recently proposed the extension of aid under Article 4 to handicapped persons and migrant workers for projects falling within the scope of the Community actions to be outlined by it for the purpose of implementing the social action programme.

The European Parliament approved these Commission proposals since in its opinion the attitude of the Council - which rejected the idea of a Social Fund whose budget could be increased according to requirements as in the case of the EAGGF - would prohibit the financing of more than a limited number of projects.

It is therefore essential for such projects to be as efficient as possible; this can only be the case if they form part of an overall policy carefully worked out at Community level.

B. Main operating difficulties

11. While a proper assessment of the Fund's new machinery cannot be

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[1] OJ No. C 13, 12.2.1974, p. 2

[2] Girardin report, Doc. 256/73, paragraph 14 of the motion for a resolution (OJ No. C 2, 9.1.1974) p. 12

made until future reports on its activities become available, certain conclusions can, nevertheless, be drawn from the 1972 report, not so much on the basis of the year in question as on the characteristics of the new Fund, as the European Parliament has already pointed out in the various debates on the budgetary aspects.

1. Insufficiency of appropriations to cover applications under Article 5

12. While the appropriations available for operations under Article 4 (7.5 m.u.a.) were all brought forward to 1973, since the two sectors qualifying for intervention from the European Social Fund under this article did not become eligible until 1973, the value of applications made by the Member States under Article 5 up to 31 December 1972 amounted to 163 m.u.a. Appropriations available for operations under this article amounted to 35 m.u.a. Taking into account commitment authorizations for the financial years 1973 (20 m.u.a.) and 1974 (10 m.u.a.), the total funds available under Article 5 were 65 m.u.a., in other words 40% of the sum needed to meet applications.

Faced with the above situation, the Commission had a very difficult task in selecting applications and establishing priorities.

13. It is, however, to be congratulated for having tried, in collaboration with the Fund Committee, to find the best possible solution to the problem created by the imbalance between funds available and applications submitted by the Member States.

It could have tried to solve the problem by using precise legal definitions for the selection of projects according to whether they complied with the definitions of the categories concerned and the legal and official criteria for submitting applications.

It preferred, however, to evaluate the Community interest of the projects and endeavoured to select them in the light of the contribution they could make to a progressive employment policy and to the policies already defined at Community level.

The European Parliament wholeheartedly supports this approach and invites the Commission to proceed along these lines.

14. It should also be noted that priority was given not to applications from public authorities but to those submitted by bodies governed by private law. The latter, however, made only three applications. A greater effort must therefore be made to ensure that the new possibilities offered by the Fund are made known not only to public authorities but also to private organizations which might wish to apply for assistance.

15. Your committee regrets that the Council of Ministers does not seem to recognize the need for wider dissemination of information, refusing, as it did, to allocate an appropriation of 20,000 u.a. which the Commission had requested in the preliminary draft budget for the 1974 financial year[1] and which was to have been used, according to the Commission, to organize briefing sessions at which all those concerned, particularly private organizations, would be given all the information necessary for submitting applications. National agencies must be able to operate effectively, and studies, pilot schemes and briefing sessions are therefore extremely important.

2. Structure of applications

16. In 1972 'regional' applications amounted to 60.4 m.u.a., 'technical progress' applications to 15.8 m.u.a., and ' handicapped persons' applications to 86.4 m.u.a.

This pattern points to a considerable imbalance between the various sectors. Applications for assistance to handicapped persons were by far the most numerous, whereas there were only two applications for adaptation to the requirements of technical progress in certain branches of economic activity, both made by the French government.

17. This means that applications made by the Member States in 1972 for operations under Article 5 were still motivated largely by the old notion of a fair return, mainly directed, as they were, towards obtaining Community financing for operations intended to solve problems arising neither directly nor indirectly from the functioning of the Common Market. On the other hand, there were few applications for operations directed towards adapting or re-adapting the supply of and demand for manpower to the requirements and implications of the Common Market.

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[1] Preliminary draft budget for the 1974 financial year, Chap. 52, Art. 520, Item 5201

18. Although the Member States' desire for a fair return has been clearly demonstrated, it must be recognized that the Commission's management of the Social Fund has not furthered it. This can be seen from the data for 1973 provided by the Commission: the former Social Fund allotted about 57% of the 61 m.u.a. available to the Federal Republic of Germany, mainly because the projects were better organized and presented; the new Fund on the other hand has made larger contributions to the poorer Member States: of a total of 186.5 m.u.a. allotted by the Fund in 1973, 57.40 went to the United Kingdom, 43.73 to Italy, 36.12 to France, 19.94 to the Federal Republic of Germany and 9.81 to Ireland.

There is thus a record of considerable progress which will continue once the Council has agreed to aid for handicapped persons being paid under Article 4 instead of Article 5. Even if Article 5 continues to be legally applicable to handicapped persons, extension of Article 4 will enable limits to be fixed for this category of projects since they will have to be elaborated in conformity with the Community programme for the employment of handicapped workers in a free market economy.

The trend which is emerging should be welcomed by your committee since it shows that the new Social Fund is gradually becoming the effective intervention instrument which the European Parliament had hoped for.

As the Commission representative rightly pointed out, it should be noted that when some countries receive proportionately less from the Social Fund than they contribute to Community funds, national departments of employment being the recipients of contributions from the Fund, the result is a redistribution of funds to actions, projects and experiments which are of advantage not only to the countries concerned but also to the Community as a whole.

19. To become an effective instrument of employment policy, the Social Fund should, in the opinion of your committee, also be in a position to intervene when a serious crisis or state of emergency in the Community threatens to disrupt the labour market.

The present crisis caused by increased prices and the shortage of energy, particularly of petroleum products, is an example. This situation could lead to a considerable reduction of employment not only in the sectors directly affected but in other sectors too as a result of the inevitable changes in the pattern of demand. The Commission representative cited the case of a multinational undertaking in Limbourg, Belgium, which set up an assembly plant for large-engined cars employing 10,000 people: the energy crisis threatens to create unemployment in an entire region whose economy is dependent on that plant. Other examples (man-made fibres and plastics) could be given to show how the effects of the crisis could have repercussions on numerous sectors of production and large regions.

20. The Commission should therefore consider the possibility of extending aid under Article 4 to mitigate the effects on employment of structural changes connected with the change in the price of energy and the energy shortage.

21. In November 1972 the European Parliament approved two Commission proposals concerning:

- assistance from the European Social Fund for persons engaged in the clothing sector,

- introduction of aid to meet the cost of maintaining, for up to 6 months, the income of persons who, having left agriculture to work in another sector, are unemployed in the period immediately following retraining.

The Council has, however, rejected the first proposal. Fearing that opening of the agricultural sector would inevitably result in requests for extension to many other sectors, it considered it premature to make a decision on the second proposal. It also rejected a similar proposal submitted by the Commission in the Social Action Programme. On 5 June 1973 the Commission informed the Parliament of its intention to review its proposal on aid for persons leaving agriculture in the light of the operation of the new Social Fund.

22. Your committee wishes to stress once again the importance of aid to maintain the income of retrained workers from the end of their retraining period to the time they find new employment in the same area. The need for such aid is indirectly demonstrated by the Commission itself on page 3 of Annex D of its report, where it speaks of the rehabilitation of adults who should be re-employed in their new occupations almost immediately after the end of their training courses. The length of the period between the end of the course and the start of employment in the new occupation may vary but it should be covered by the Fund.

Your committee therefore requests the Commission of the European Communities to press the matter and to submit new proposals on Social Fund aid for persons employed in the clothing sector and for the introduction of incomes assistance.

3. Budget estimates for 1973 and the problem of control

23. The 1973 budget estimates have, unfortunately, proved inaccurate.

The Commission had proposed an appropriation of 60 m.u.a. for Article 4, but the Council increased this to 70 m.u.a; for Article 5, the Commission had proposed 140 m.u.a., but the Council reduced this sum to 110 m.u.a.

In fact, in 1973 the Commission had to introduce a supplementary budget of 120 m.u.a. for Article 5, but the Council approved only 45 m.u.a. On the other hand, the Commission had to ask for a transfer of appropriations from Article 4 to Article 5, since 40 m.u.a. of the Article 4 appropriations could not be used. The transfer of 40 m.u.a. to cover applications for 'handicapped persons', submitted in 1973 under Article 5, was rejected by the Council.

24. In the explanatory statement accompanying draft supplementary budget no. 4 for the 1973 financial year, the Commission gave the following reasons for the inaccuracy of its estimates:

- delay on the part of Member States in reporting their requirements;
- difficulty of drawing up estimates in 1972 because of the enlargement of the Community;
- underestimation of requirements;
- the cautious attitude adopted by Community authorities when the new European Social Fund began its activities.

In the opinion of your committee the annual report on the activities of the new Social Fund for the 1973 financial year should be so drafted as to enable the European Parliament to make known to the Commission its political resolve concerning the magnitude of the funds that ought to be allocated to the new European Social Fund if it is to be a genuine Community instrument for promoting a policy of full and better employment, and one which can be used flexibly, rapidly and effectively, not only to remedy the problems caused by the Common Market and adapt the demand for manpower to new requirements, but also to assist the implementation of the social action programme.

25. Your committee fully endorses the opinion of the Committee on Budgets which has drawn the attention of the Community authorities to the problems of controlling projects implemented with aid from the Fund, particularly the problem of financial assessments, validity of applications submitted, successful completion of programmes, etc.

Your committee therefore invites the Commission of the European Communities to devote one chapter of its next report on activities in 1973 to such problems.

Opinion of the Committee on Budgets

Draftsman : Mr André ROSSI

At its meeting of 14 January 1974 the Committee on Budgets instructed Mr ROSSI to draft an opinion for the Committee on Social Affairs and Employment.

It considered the draft opinion at its meeting of 4 March 1974 and adopted it unanimously.

The following were present: Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Rossi, vice-chairman and draftsman; Mr Artzinger, Lord Bessborough, Mr Boano, Mr Durand, Mr Fabbrini, Mr Gerlach, Mr Houdet, Mr Laudrin, Mr Leenhardt, Mr Maigaard, Mr Müller, Mr Notenboom, Mr Pounder, Mr Schmidt, Mr Terrenoire, Mr Wieldraaijer, Mr Wohlfart.

Submission of the report

1. This report is an account of the activities of the new European Social Fund during the 1972 financial year. Although set up on 1 February 1971, the Fund did not enter into force until 1 May 1972. The report therefore covers only eight months of the Fund's activities (from 1 May to 31 December 1972).

2. The main characteristics of the Fund as regards its budgetary implications are as follows:

- applications for aid from the Fund are approved by the Commission and aid is paid out as the operations thus authorized progress;

- pursuant to the financial regulation of 25 April 1973, the Fund's budget for a financial year includes not only the appropriations for that financial year but also any commitment authorizations for the two subsequent financial years;

- aid from the Fund is of two types:

  1. Action under Article 4: This relates to employment and can be implemented only in conjunction with Council decisions. It is subject to the Council opening up, on a proposal from the Commission, specific 'areas' of intervention;

  2. Action under Article 5: This relates to employment, the regions, certain fields of activity and categories of persons. It is independent of Council decisions and does not require specific 'areas' of intervention to be opened up. Although such action is to account for at least 50 per cent of the Fund's appropriations in the first five years, priority will subsequently be given to action under Article 4.

- The Commission may carry out or assist studies or pilot schemes (up to 50 per cent of expenditure) to enable aid from the Fund to be allocated to the best advantage.

Remarks on the form of the report

3. It should be mentioned that Parliament expressly requested that an annual report on the activities of the new Fund should be submitted to the Council and the European Parliament, so that effective political and budgetary control could be exercised in full knowledge of the facts.

This report is therefore of particular interest to Parliament and the Committee on Budgets. For this reason the committee, while realizing that the 1972 report may have been affected by the difficulties involved in launching the Fund, feels compelled to point out certain shortcomings which make it impossible to regard it as an acceptable precendent for future reports.

4. First of all, the 1972 document was submitted 3 months late (9 months after the close of the financial year instead of the 6 months stipulated). The Committee on Budgets considers that, if Parliament is to exercise effective control, it is important for reports - especially budgetary reports - to be submitted on time.

5. The specifically budgetary section contains only five pages, two of which relate to the 1973 financial year. It was scarcely possible to give a satisfactory account of the financial aspects of the Fund's activities in 1972 in such a short space. Thus the report merely quotes, without comment, the main aggregates in the accounts for the financial year. This leads to some confusion in the precise evaluation of certain figures, especially those relating to the actual number of applications received and examined by the Commission. Similarly, the information in Annex D on the main operations approved by the Commission is very scanty. Almost nothing is said, for example, about the nature of the aid to FIAT, which alone accounts for 26 per cent of the total aid (13 Mua out of 50). Finally, no detailed figures are given on the breakdown of expenditure for studies and pilot schemes.

Remarks on the content of the report

6. In its resolution on the draft budget of 18 November 1971 Parliament has already deplored the fact that the total appropriations allocated to the new Social Fund - even for a financial year of only 8 months - do not seem to correspond to the objectives assigned to it. The 1972 appropriations have in fact increased to 42.25 Mua and the 1973 appropriations to 180.75 Mua. These amounts should be compared with the 300 Mua which the Commission and Parliament feel are necessary if the new Social Fund is to become an 'effective instrument'. It should be noted, however, that the procedure for authorizing commitments - although it does not change the actual amount of the appropriations - considerably extends the Fund's scope. Thus the total budget available in 1972 (appropriations for that financial year plus commitments for 1974 and 1975) was increased to 87.25 Mua and the budget for 1973 to 364.75 Mua.

7. In 1972 and 1973 the Council tended to make up for the inadequacy of the appropriations by recognizing the Commission's right to request an increase in these appropriations, where necessary, through a supplementary budget. The Committee on Budgets takes this opportunity to point out that supplementary budgets, which involve a cumbersome and complicated procedure, should be used only in exceptional cases and should not lead to habitual underestimation of the appropriations in the main budget.

8. Having drawn attention to the inadequacy of the appropriations granted for the 1972 financial year, the Committee on Budgets regrets that only 72 per cent of these appropriations was utilized. If one also takes into account the appropriations for 1972 and the commitments for 1973 and 1974, the figure is only 57 per cent.

	Financial year 1972	Commitment authorizations for 1973	for 1974	Total
Appropriations	42,250	30,000	15,000	87,250
Amount utilized	30,631	19,436	189	50,256
Percentage utilized	72	64	1.2	57

9. The responsibility for this low rate of utilization is shared. As regards action under Article 4, no applications for aid could in fact be submitted as it was not until 19 December 1972 that the Council opened up two possible areas of intervention for the Fund under the terms of this article. Only 76 per cent of the appropriations (appropriations for the financial year concerned plus commitment authorizations) under Article 5 were utilized, as there was not enough time to consider and approve a sufficient number of applications. The applications submitted represented a total of 163 Mua, 112 Mua of which the Fund's departments were unable to consider by 31 December 1972. Finally - and no explanation is given for this in the report - the Fund's departments used only 77 per cent of the appropriations for experiments and studies, and the Council was not asked for the remainder (57,000 ua) to be carried forward.

10. The report makes no mention of the very serious problems raised by the control of operations carried out with aid from the Fund, particularly in regard to statistical evaluation of the merits of applications, checks on on-going operations, assessment of the actual implementation of completed schemes, deposit of final accounts, etc. Experience with the old Social Fund has shown that satisfactory solutions have not always been found to these problems of control (in particular on-the-spot checks), and it is quite possible that the problems will continue with the new Fund.

11. In conclusion, the Committee on Budgets, having drawn attention to the inadequacy of the information contained in the report, deplores the fact that consideration of administrative deadlines in the work of both the Council and the Commission have prevented these appropriations modest though they are in the light of the Community's needs in this area, from being fully utilized, and hopes that the 1973 report, to appear by 1 July 1974, will reflect the successful launching of the new Social Fund under satisfactory conditions of operation and control.