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Report

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

on the ~~second~~ annual report on the activities of the new European Social Fund –
financial year 1973

Rapporteur: Mr F.G. van der GUN

PE 38.745/fin.

1.2.1

English Edition



By letter of 6 September 1974 the Committee on Social Affairs and Employment requested authorization to draw up a report on the second annual report on the activities of the new European Social Fund - financial year 1973.

Authorization was given by the President of the European Parliament in his letter of 17 September 1974.

On 3 September 1974 the Committee on Social Affairs and Employment appointed Mr van der GUN rapporteur.

It considered the draft report at its meeting of 25/26 November 1974 and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr A. Bertrand, chairman; Mr Marras, vice-chairman; Mr van der Gun, rapporteur; Mr Albers, Mr Albertsen, Mr Bermani, Lady Elles, Mr Girardin, Mr Glinne, Mr Jahn (deputizing for Mr Härzschel), Mr Lucius, Lord O'Hagan, Mr Pisoni, Mr Rosati and Mr Schwabe.

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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 second annual report on the activities of the new European Social Fund - financial year 1973

The European Parliament,

- having regard to the second annual report on the activities of the new European Social Fund - financial year 1973 (SEC(74) 2400 fin.),
 - having regard to the report of the Committee on Social Affairs and Employment (Doc. 380/74),
1. Recalls its resolution of 25 April 1974 on the first annual report on the activities of the new European Social Fund for the financial year 1972¹, and in particular the remarks it contains on the structure of the report, which remain valid;
 2. Welcomes the fact that the Commission of the European Communities has taken account of the request made in that resolution to submit the 1973 report in good time and to give a full and detailed analysis of the problems arising in connection with the application of the new regulation for the Fund;
 3. Further welcomes the fact that the Commission's report draws clear conclusions from the first year of full operation of the new Fund, concerning both its mechanisms and control over it, and also regarding criteria for selecting applications;
 4. Notes with satisfaction that the bulk of the appropriations allotted as contributions from the Fund in 1973 have in fact, by contrast with what happened with the old Fund and thanks chiefly to the Commission's efforts to give priority to applications most in accord with the spirit and objective of the new Fund, gone to the Member States facing the most pressing social and employment problems;

¹ OJ No. C 55, 13 May 1974, p. 47

5. Readily agrees with the measures the Commission has taken in selecting projects, and with the fact that it has given priority to activities in the context of a preventive policy to promote employment, and to activities that supplement and complement other policies already laid down at Community level;
6. Shares the Commission's objections indicated in the report to applications by Member States in respect of general requests, and supports its efforts to bring about a better application of the criteria for assistance from the Fund;
7. Repeats the statement it made in the resolution of 25 April 1974 to the effect that the greatest problem in operating the new Social Fund lay in the shortage of financial resources, especially for projects under Article 5; this will be felt even more strongly in 1975 because of the unemployment problems which will arise;
8. Therefore greatly regrets that the Council, in opposition to earlier opinions from Parliament and despite the difficulties already experienced by the Commission in the past in meeting all applications submitted, has in the 1975 budget again reduced, in the first instance by 70,000,000 u.a. the appropriations proposed by the Commission under Article 5; calls upon the Council once again to restore these appropriations;
9. Considers that this negative attitude not only flagrantly contradicts intentions stated frequently and solemnly, in particular at the 1972 Paris summit, but also involves a danger of the European Social Fund becoming a considerably less effective and efficient instrument of Community employment policy;
10. Points out that, in the present economic situation, appropriations under Article 5 of the Social Fund are for the time being the only instrument available to the Community in this area;
11. Hopes in this connection that the Regional Fund, which constitutes the second form of Community aid in the employment sector, may be implemented at an early date;
12. Concludes therefore that the Council must in any case state its readiness to make available in the near future supplementary funds for the Social Fund to stimulate employment;
13. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. Submission of the report by the Commission of the European Communities

1. The first report on the activities of the European Social Fund, covering 1972, was submitted very late by the Commission and covered only a fairly limited period of time. The new Fund had come into effect only in May 1972, and the Commission had therefore to confine itself in its report to a brief list of activities and operations undertaken, and could not dwell on the more serious problems connected with the operation of the new Fund, which could not be completely elucidated in the start-up phase.

The European Parliament, in the report by Miss Lulling (Doc. 18/74, 2 April 1974) on the first activity report, showed its understanding of the situation the Commission was in, but asked it nevertheless to submit the report for 1973 in time, and in particular to analyse in it the main problems arising from application of the new regulations and from the lack of resources available to the Fund, relative to the number of applications.

2. The Commission in its report for 1973 took account of the European Parliament's request and submitted a report which can truly be called complete and detailed. After giving a general outline of the Social Fund's activities during 1973 (chapter I) and analysing its financial and budgetary aspects (chapter II), the Commission illustrates the various operations carried out (chapter III). One of the most important chapters, however, is definitely chapter IV, which considers the improvements which might be made to the machinery of the Fund, for instance as regards the methods of processing applications for contributions submitted by Member States, and as regards the system of 'global applications'. The following chapter (chapter V) deals with prospects for the years ahead, and finally some conclusions are drawn.

3. It may be concluded from this brief outline that even though in 1973 the new Social Fund was still very much in an initial phase, it has already been possible to test its machinery, and the Commission should be credited with having clearly indicated in its report the lessons it draws from this first year of operation.

4. The annual report should, however, if possible, be submitted before the time limit (1 July), say in April or May, to enable the Council to take it into account when considering the Social Fund budget for the following year. One of the principal objects of the annual report is to provide precise indications on applications submitted and aids granted during the year under consideration, so that financial needs for the following year can be evaluated.

II. Allocation of aid from the Fund

5. Looking at the data supplied by the Commission in its report, it is above all to be welcomed that the new Fund has done much more than the old one to carry out its assignment to 'improve employment opportunities for workers in the common market and to contribute thereby to raising the standard of living' (Art. 123 of the EEC Treaty).

The old Fund operated in an almost automatic manner, thereby favouring the better organized states, since they could submit applications which were technically irreproachable and met the criteria and conditions laid down in the regulations. In 1973, too, it continued to make payments for operations completed before the new Fund entered into force. They were allocated as follows (in million u.a.)¹:

Germany	34.501
Belgium	1.616
France	7.792
Italy	15.751
Luxembourg	-
Netherlands	1.746
TOTAL	61.406

Accordingly, more than half the contributions from the Fund went to Germany, which is certainly not the Community country with most need of financial support from its partners.

By contrast, in 1973 contributions from the new Fund were distributed as follows: (million u.a.)

Belgium	7.19
Denmark	5.05
Federal Rep. of Germany	19.94
France	36.12
Ireland	9.81
Italy	43.73
Luxembourg	0.04
Netherlands	6.77
United Kingdom	57.40
TOTAL	186.05

6. The greatest beneficiaries relative to their contributions to the Community budget have therefore now become Great Britain, Italy, and Ireland, that is, the states where the social problems to be solved, particularly as regards employment, are in fact greatest.

The credit for this distribution is due mainly to the Commission, more than to the Member States, since it was able to select from the enormous number of applications those most in conformity with the spirit and objectives of the new Fund.

¹Source: Report on the Development of the Social Situation in the Community in 1973, Doc. 2/74

7. The Member States in fact submitted applications corresponding more to national priorities than to Community ones, whereas the role of the Social Fund ought to be that of supporting national employment policies, but in a Community perspective and in a Community spirit. This is what the Commission endeavoured to do in 1973.

III. The selection criteria for applications submitted by the Member States under Article 5 of the basic decision of 1 February 1971

8. While in 1973 applications under Article 4 were less than the appropriation of 68.8 million u.a. provided, since the Council had made only two sectors (workers leaving agriculture and the textile sector) eligible for contributions from the Social Fund under Article 4, and Member States were not able to submit applications in time, under Article 5 the Commission received applications for contributions of 235.7 million u.a. whereas the appropriation available was only 153.4.

9. The Commission has therefore had to apply rigorous selection criteria, analysed and studied in detail in the report, especially in section 1 of chapter I, section 2 of chapter IV, and annex I.

Summarizing, it may be said that broadly the Commission has applied two criteria: firstly, to give priority to projects in line with a preventive, promotional employment policy, that is, aimed at preventing imbalances rather than correcting them ex post facto, and at promoting and favouring employment; secondly, to select projects which supplement and complement other policies already decided at Community level.

10. Difficulties in applying these criteria arose particularly in considering the global applications, which constituted the great majority of the applications submitted by Member States, and whose objectives and details were difficult to elucidate in view of their complexities.

In selecting among such global applications, the Commission has had to apply empirical criteria based on the characteristics of the regions concerned, excluding some regions whose needs seemed to be less urgent and to have less priorities. In the case of the seven main global applications, the Commission thus managed to reduce the total amount of contributions approved from 180 to 120 million u.a. These criteria are still unsatisfactory, and the Commission is working on others more in accordance with the objectives of the Fund.

In general, therefore, the Commission should be given credit for having done its best, with the assistance of the Social Fund Committee, to select the applications on the basis of actual general Community interest, and to make the Social Fund into an instrument of preventive intervention aimed at stimulating and promoting employment. The difficulties it met with were created essentially by two factors: the serious inadequacy of the financial resources available, and the way in which the Member States set out and submit their applications. The European Parliament approves the criteria chosen by the Commission, and invites Member States to bear in mind, especially in connection with global applications, the need to specify them

in better accordance with the criteria indicated by the Commission, and to avail themselves of the technical assistance of its departments. It would also be useful to have better coordination between the various states, again with the assistance and encouragement of the Commission, for example to resolve through the Social Fund the common problems arising in certain frontier regions of the Community, as in certain Dutch-German or Franco-Belgian frontier regions, to promote new joint initiatives or to avoid conflicting ones.

11. It is, however, clear that something in the Fund machinery is not functioning as it should. Something is wrong when some types of aid are frequently applied for and others are not.

The Commission maintains in its report that it is not necessary to review and revise the Fund before the fixed date, 1976. This problem nevertheless exists, and it seems clear that new proposals to modify some intervention mechanisms, the list of aids, and the whole procedure for considering applications and awarding contributions, will shortly become necessary. The extreme slowness and complexity of the present procedure in fact involves a risk of depriving intervention from the Fund of much of its effectiveness in the area of employment policy.

12. In its next report, the Commission should deal with the problem in detail, and with a further point that the Committee on Social Affairs and Employment considers to be of the greatest importance, namely the use made or intended of Social Fund monies in implementing the Social Action programme.

The Commission should also do something to change the layout of the report, since at times one is left with the impression on reading the report for 1973 that it was drawn up to meet the administrative needs and concerns of the Commission itself, rather than the general need to bring about through the Fund positive effects on the development of the common market in employment, and better coordination and harmonization of national policies in that area.

IV. The inadequacy of the Social Fund budget

13. The European Parliament has always supported the Commission in asking that the Social Fund budget be sufficient for the number of applications submitted by Member States, and above all, sufficient for the social needs in the Community. However, the Council has not taken satisfactory account of these requests and has made drastic cuts in the appropriations proposed. Confining ourselves to the most recent figures, in the preliminary draft budget for 1975, the Commission had proposed appropriations in the order of 110 million u.a. (Art. 4) and 280 million u.a. (Art. 5). The Council reduced the latter appropriation to 210 million, despite the fact that the present

employment situation in the Community continues to deteriorate following the energy crisis and inflation, with the concomitant deflationary measures adopted by the Member States. The Social Fund could intervene effectively under Article 5, provided it had the financial capability. Moreover, the Social Action Programme, approved by the Council in January this year, will remain practically a dead letter if the Social Fund cannot support it and contribute to its implementation. In this connection the Committee on Social Affairs and Employment has stressed the seriousness of the Council's non-performance in respect of the Regional Fund, which should constitute the other important instrument of aid in the employment sector, its use being coordinated with the Social Fund. Notwithstanding present difficulties, it has expressed the hope that the Fund may enter into force at an early date.

V. Conclusions

14. Analysis of the Commission's report shows that it has done everything in its power to administer the Social Fund in the best possible way, and it must be given credit for having managed to do so in a satisfactory way, taking account of the inadequate financial resources available to it and the need to work out completely new selection criteria for applications meeting general Community objectives which themselves are still rather vague. It has had to fight the tendency on the part of Member States to seek a 'fair return' by submitting applications, especially in the category of handicapped persons, which are out of proportion to other applications and do not fit in with a Community approach to the problems. On the other hand, the refusal on the part of the Council of finance ministers to listen to the arguments and forecasts put forward by the Commission puts the latter in a difficult position. This was a further demonstration of the ease with which, in the social field, agreement can be reached on grand principles and grand declarations (like the Paris Summit declaration) while, when it comes to translating words into financial realities, national interests and financial concerns regain the upper hand. If things go on like this, the Social Fund, despite the Commission's efforts, will never succeed in becoming an adequate and efficient instrument of employment policy.