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Report

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

on the Seventh Annual Report (1981) by the Commission
of the European Communities on the European Regional
Development Fund (ERDF)

Rapporteur: Mr L. KYRKOS

PE 84.847/fin.

On 30 September 1982 the Commission of the European Communities, pursuant to Article 21 of Council Regulation (EEC) No. 724/75 of 18 March 1975 on the establishment of a European Regional Development Fund, as amended by Council Regulations (EEC) 214/79 of 6 February 1979 No. 3325/80 of 16 December 1980, published the Seventh Annual Report (1981) on the European Regional Development Fund.

On 16 November 1982 the enlarged Bureau, and on 13 December 1982 the President of the European Parliament, authorized the Committee on Regional Policy and Regional Planning to draw up a report on the report by the Commission of the European Communities; the Committee on Budgetary Control was asked for an opinion.

On 26 November 1982 the Committee on Regional Policy and Regional Planning appointed Mr Leonidas KYRKOS rapporteur.

On 11 October 1982, the European Parliament referred the motion for a resolution tabled by Mr KEY and others on enhancing the job-creating potential of the European Regional Development Fund (Doc. 1-667/82) to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Social Affairs and Employment and the Committee on Economic and Monetary Affairs for an opinion pursuant to Rule 47 of the Rules of Procedure. At its meeting of 3 November 1982, the Committee on Regional Policy and Regional Planning decided not to draw up a report but to incorporate the motion for a resolution into this report.

On 12 January 1983, the European Parliament referred the annual report on the 1981 financial year by the Court of Auditors to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Budgetary Control for an opinion pursuant to Rule 47 of the Rules of Procedure. At its meeting of 12 January 1983, the Committee on Regional Policy and Regional Planning decided not to draw up a report, but to take it into consideration in this report.

The Committee on Regional Policy and Regional Planning considered the draft report at its meetings of 26 May 1983 and 20 September 1983. At the latter meeting it unanimously adopted the motion for a resolution as a whole.

The following took part in the vote: Mrs FUILLET, acting chairman; Mr FAURE, vice-chairman; Mr KYRKOS, rapporteur; Mr CHANTERIE (deputizing for Mr GUIMMARRA); Mr GRIFFITHS, Mr HUTTON, Mr KAZAZIS, Mrs KELLETT-BOWMAN, Mr NIKOLAOU and Mr VERROKEN.

The opinion of the Committee on Budgetary Control is annexed to this report. The Committee on Economic and Monetary Affairs by letter of 21 September 1983 and the Committee on Social Affairs and Employment informed the committee that they had decided not to deliver opinions.

The report was tabled on 27 September 1983.

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(Doc. 1-667/82)

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

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

MOTION FOR A RESOLUTION

on the Seventh Annual Report (1981) of the Commission of the European Communities on the European Regional Development Fund (ERDF)

The European Parliament,

- having regard to the report by the Committee on Regional Policy and Regional Planning and the opinion of the Committee on Budgetary Control (Doc. 1-768/83),
- having regard to the Seventh Annual Report (1981) on the European Regional Development Fund submitted by the Commission of the European Communities pursuant to Council Regulation (EEC) No. 724/75 of 18 March 1975, on the establishment of the European Regional Development Fund, as amended by Regulation (EEC), No. 214/79 of 6 February 1979,
- having regard to the motion for a resolution tabled by Mr KEY and others on enhancing the job-creating potential of the European Regional Development Fund (Doc. 1-667/82),
- having regard to the annual report of the Court of Auditors for the 1981 financial year¹,
- referring to its previous opinions of 12 March 1975², 12 April 1977³, and 13 October 1977⁴, concerning the Regulation of the Fund, and of 16 December 1976⁵, 17 January 1978⁶, 12 February 1979⁷, 15 April 1980⁸, 19 June 1981⁹

¹OJ No. C 344, 31.12.1982, pp.1-217

²OJ No. C 76, 7.4.1975, p.22

³OJ No. C 118, 16.5.1977, p.51

⁴OJ No. C 266, 7.11.1977, p.35

⁵OJ No. C 6, 10.1.1977, p.86

⁶OJ No. C 36, 13.2.1978, p.11

⁷OJ No. C 67, 12.3.1979, p.13

⁸OJ No. C 117, 12.5.1980, p.18

⁹OJ No. C 172, 13.7.1981, p.116

and 12 July 1982¹⁰ on the reports of proceedings for the financial years 1975, 1976, 1977, 1978, 1979 and 1980,

1. Approves in general outline the Seventh Annual Report of the Commission of the European Communities (1981) concerning the European Regional Development Fund¹¹, but stresses that the correct attention was not given to and the most appropriate decisions were not taken on the following questions:

I. As regards the more general context of the Fund,

2. Notes that the serious hopes extended when the Fund was created for the convergence of the economies and the application of Community solidarity have, for yet another year, not been realized. It points out, however, that the 'New Orientation' of the Commission¹² and the amendments accepted by Parliament¹³ have laid down guidelines which must be put into effect immediately, and which will produce results, if they are accompanied by a vertical increase in the resources made available. At the same time, it expresses its regret that the Council of Ministers has not yet approved the new rules of procedure of the Regional Fund, with the result that the effectiveness of the Fund in eliminating regional disparities and achieving the economic integration of Europe is being limited;
3. Stresses that, notwithstanding the contradictory forecasts by the Commission of the European Communities, the economic situation in Community Member States, and particularly in the regions has deteriorated. To be specific, actual GNP has fallen, unemployment has risen, investment as a percentage of GNP has fallen, inflation has remained at 1980 levels, industrial production has fallen and the financial deficit as a percentage of GNP has been the largest since the Community was founded. In these circumstances the contribution of the ERDF should have been particularly important, yet it has been limited both as regards the less developed regions of the Community and in relation to the under-developed areas.

¹⁰OJ No. C 292, 8.11.1982, p.76

¹¹COM(82) 586 final

¹²COM(81) 589 final

¹³OJ No. C 125, 17.5.1982, p.84

4. Stresses that despite a certain increase in commitment appropriations the sums allocated to the ERDF by the Community budget are not in proportion to the size of the crisis affecting the Community, with the results that the Fund is not in a position to act decisively in the present economic situation and in finding a solution to the problem of unemployment;
5. Repeats that, irrespective of the present adverse situation, the percentage of the Community budget allocated to the ERDF is disproportionately small in relation both to the development needs of the Community regions and to the percentage of the budget allocated for supporting the prices of agricultural products from the richer regions, a fact which reproduces and widens the regional disparities in the Community;
6. Stresses that for yet another year, the economic effectiveness of ERDF interventions has been limited, given that the Fund continues to have as its aim the rectification of regional disparities and does not act as an instrument of development;
7. Views as a first contribution towards stimulating efforts for the transfer of new technology and the development of alternative sources of energy the implementation of programmes in this regard in Ireland and Italy, and calls for the implementation of corresponding programmes on a wide scale in all the less-developed countries, particularly where comparative advantages exist;
8. Considers that the transfer of technology to the less-developed regions of the Community is a basic pre-condition for the up-to-date, internal development of their natural resources and the up-grading and development of their workforce potential;

II. As regards the Quota-Section,

9. Stresses the need to simplify the criteria for the selection of projects to be financed, so that as little surplus as possible should remain unallocated in the quota-section at the end of each financial year. It requests the Commission to furnish additional information on the approximately 1,000 projects whose applications for funding were rejected, so that Parliament may be better informed and the drawing up of projects by Member States can be improved.

10. Welcomes the action by the Commission of the EC to transfer, in the short term, funds allocated under the ERDF, Quota Section, from one country to another when this country is unable, within the stated period, to absorb all the appropriations allocated to it;
11. Stresses that the data on which the Commission of the EC bases its estimate of the number of employment openings which the ERDF has helped to create are not entirely reliable and urges the Commission to notify Parliament of the steps it proposes to take to check the accuracy of the data on which it bases its estimates, and of the possibility of assessing the ERDF's contribution not just to employment but to increasing productivity and further rationalizing the distribution of resources to the regions. It notes that the Commission's report gives no information whatever on employment openings created indirectly by investment in infrastructure projects;
12. Notes that projects of less than 10 million ECU created the most jobs, and that the cost of creating or maintaining one job is lower in projects of less than 10 million ECU. It urges the Commission of the EC to examine the reasons for this phenomenon and to propose ways of concentrating ERDF aid in sectors where jobs are created in larger numbers and more economically. At the same time, it calls on the Commission to aid large-scale public or private investment schemes which in the estimation of the Member State concerned, based on detailed reports, are of strategic importance for economic development;
13. Notes that priority in allocating ERDF subsidies has been given to large undertakings, while small and medium-sized undertakings, which are in greater need of aid, have been limited to a small percentage of ERDF grants;
14. Stresses that, despite the steps which have been taken, payment appropriations are still considerably smaller than the available commitment appropriations with the result that, owing to the slow speed at which the payments are made, the ERDF's contribution to solving the immediate problems of the Community regions is limited;
15. Points out that, in accordance with Commission estimates¹⁴, the ERDF,

¹⁴ Answer to Written Question by Mrs Yvette FUILLET,
OJ No. C 47, 17.2.1983, pp.4-5

despite its many deficiencies in the area of creating jobs, is the only Fund which is capable of creating and/or maintaining jobs (457,000 jobs in the 1975-1981 period);

III. As regards infrastructure,

16. Considers that the selected investment in the infrastructure creates appropriate conditions for the development of economic activities, particularly in the less-developed regions;
17. Believes that the infrastructure aids selected in the context of a specific development programme must be extended to cover the infrastructure 'appropriate' to each regions;
18. Welcomes the Commission's action to provide 88% finance from the Regional Fund budget to infrastructure projects in the course of 1981, insofar as there have been no economic activity projects, thus pointing to the indirect role played by investments in the infrastructure in increasing demand and creating jobs, particularly in periods of recession;

IV. As regards the non-quota section,

19. Welcomes the action taken by the Commission in approving the specific programmes under the non-quota section of the ERDF and is confident that the financing of such types of investment will be intensified in the future and will be extended preventively to other sectors which may also face problems;
20. Hopes that the non-quota section will be used not only to finance areas with problems related to industrial decline but also to finance those areas which are currently going through a stage of industrial development, so that aid is given for the establishment of advanced technology industries in such areas;

V. As regards the Integrated Development Operations,

21. Supports the action taken by the Commission to promote integrated development programmes in the less-favoured regions and to promote the

concept of integrated development programmes in the Regulation for the Fund which is currently under revision. It welcomes the steps taken by the Commission to set up a permanent office to monitor work under the integrated operation for Naples. It expresses its regret at the delays in implementing the integrated operation for Belfast which would bring some relief to that area from the accumulated problems which it faces;

VI. As regards the Regional Programmes,

22. Expresses its regret that the information on regional programmes supplied in the seventh Report are insufficient for the European Parliament to be able to assess the efforts made for development of the regions. It is confident that the Integrated Mediterranean Programmes being worked out by the Commission in collaboration with Member States will give a significant impulse to the implementation of regional programmes in those countries and that they will draw on all the experience acquired in the functioning of the ERDF to ensure that they can be put into effect at once and that time consuming, bureaucratic entanglements are avoided;
23. Notes the need for wider coordination of Community policies to ensure more effective capitalization on Community resources in conjunction with national efforts, particularly in the implementation of the Mediterranean programmes;

VII. As regards the bodies involved in development,

24. Considers that the Commission in its conduct of regional policy to date has not taken account of the regional authorities in the Member States in devising, shaping and implementing the regional development policy;
25. Regrets the fact that the Commission has not studied the part played by local government, cooperatives and development companies in regional policy;
26. Stresses the need for a study of the most appropriate bodies to be involved in the development of the less developed regions of the Community, particularly the part played by SMUs, agricultural and craft cooperatives

and popularly funded local joint enterprises in regional development, and urges the Commission of the EC to study the question and suggest ways in which regional policy might give aid to new organizations involved in regional development;

VIII. As regards the impact of common policies on regional development,

27. Welcomes the willingness of the Commission to study the impact of common policies on regional development before such policies are put into effect, because the study drawn up by the Commission on the impact of the CAP¹⁵ on regional development confirmed the anxieties expressed by the body, that the CAP favours well-off producers in the developed regions of the Community;
28. Calls on the Commission to work out without delay changes to the CAP, particularly in the area of price support to aid small undertakings and poor regions. It also calls for the abolition of the monetary compensatory amounts (MCAs) which have an adverse effect on the development of agriculture in the less favoured regions of the Community;
29. Notes that the Agricultural Fund, Guidance Section, which favours agricultural regions over other regions, is endowed with a small and declining percentage of the capital made available for the CAP, and therefore makes only a small contribution to the development of Community regions. It points particularly to the need for the resources of the EAGGF, Guidance Section, to be increased and for coordinated programmes to modify backward rural structures, based on collective cooperative activity, to be endowed;
30. Considers that a study should be made of the regional dimension of other Community policies as well, particularly the social, industrial and competition policies, so that Parliament is in a position to make a better assessment of their impact on the regional development of the Community;

¹⁵

Commission of the EC, study of the regional impact of the CAP, No. 21, 1981

31. Maintains that the duties which the ERDF is called upon to shoulder and the part played by them in the context of Community policies are growing in view of the forthcoming enlargement of the Community, and urges the Commission of the EC to speed up its work on assessing the impact of enlargement on Community regions and to propose measures to deal with the problems that will be caused;

IX. As regards inspections,

32. Expresses its regret at the low pre-determined annual rate of on-the-spot inspections owing to a lack of suitable personnel in the Commission, and as an alternative solution puts forward the use of independent experts, such as economic inspectors from Member States working on behalf of the Commission¹⁶;

33. Calls on the Commission to step up its checks on projects known as 'dormant' projects - in other words projects for which payments have fallen behind schedule - and believes that the final payments for projects which are in the last stages of completion should be accelerated and that appropriations granted to projects for which the deadlines for execution have been extended excessively should be released;

X. As regards the new proposals by the Commission of the EC for the revision of Regulation No. 724/75

34. Welcomes the Commission's proposals for the revision of the Regional Fund Regulation relating to:

- (a) coordination between national regional policies and Community regional policy,
- (b) the geographical concentration of interventions,
- (c) financing of programmes,
- (d) capitalizing on the internal development potential of the regions,
- (e) the introduction of a system of advanced payments,
- (f) changes in the operation of the non-quota section,

¹⁶The Economic and Social Committee also supports this position.
cf. OJ No. C 90, 9.4.83, pp. 7-9

(g) the introduction of the concept of integrated development operations;

35. Agrees with the proposal of the Commission of the EC that support be given to ERDF financing on the 'programme contract' principle, so as to avoid, as far as possible, the channelling of Fund resources by the governments of Member States towards requirements unconnected with the project being financed, without this creating additional bureaucratic or other entanglements which slow down the financing,
36. Believes that the 'additionality principle' will be strengthened by the participation of regional authorities, the carrying out of public checks into the progress made by the projects being financed and the compulsory publicizing at local level of all the data relating to the execution of the projects;
37. Instructs its President to forward this resolution to the Council, the Commission and the governments of Member States.

EXPLANATORY STATEMENT

I. FOREWORD

1. The analysis in this report is confined to the following:

- (a) the Commission proposal to the Council 'amending Regulation (EEC) No 724/75 establishing a European Regional Development Fund'¹,
- (b) Parliament's opinion on the above proposal, in the report by Mr Pancrazio DE PASQUALE²,
- (c) this committee's three reports on the integrated programmes³,
- (d) the report by Mr PÖTTERING on the Commission proposal to the Council (COM(82) 658 final) on the ERDF (non-quota section)⁴,

Therefore the corresponding chapters in the ERDF report referred to above will not be included in this report. They have been covered in many respects by the above reports of this committee.

In addition, the Court of Auditors published its annual report on the 1981 financial year in the Official Journal⁵. In the chapter devoted to the ERDF the reader will find a critical résumé of Fund activity from an auditing standpoint.

2. The ERDF annual report, according to COM(82) 586 final, is concerned with the economic management of the Fund and the inspections which the Commission carries out. There are two new features visible in the 7th Report, by comparison with previous ones:

- (a) the funding, out of the Fund's non-quota section, of operations approved by the Council in 1980,
- (b) the funding of the regional programmes of a new Member State, Greece.

3. A detailed opinion by the European Parliament on the ERDF's operations requires a global analysis of all the Community's common policies in conjunction with the economic policies being applied by Member States.

¹ COM(81) 589 final

² OJ No C 125, 17.5.1982, p. 84

³ Mr FUILLET on Belfast (OJ No C 149, 14.6.1982, p. 142)

Mr TRAVAGLINI on Naples (Doc. 1-129/83)

Mr von der VRING on integrated development operations (Doc. 1-104/83)

⁴ Doc. 1-269/83

⁵ OJ No C 344, 31.12.82, pp. 60-69

Such an analysis would be in keeping with Article 1 of the Regulation defining the purpose of the Fund: 'to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural under-employment'.

4. One interpretation of Article 1 might be that the 'Fund' finances policies of a supplementary type as part of a development effort directed towards assisting disadvantaged regions. Notwithstanding the wishes and actions of the Commission, in 1981 the Fund played the part not of a corrector at all but of a 'cobbler', and still less, of course, the part of an instrument of development. To be more specific, it had insufficient resources because the Community budget did not endow it adequately enough to enable it to carry out its task, and, although it did indeed make the funds it had available to less developed areas, it was still not able to contribute to planning their development on a viable and self-reliant basis. This kind of transfer of resources has a certain value, but it is not the most effective method of 'correcting' regional imbalances.

..

5. The significance of this observation becomes clearer in the light of the worsening economic recession in the Community, which has naturally hit the weaker areas hardest and widened the gap between them and the developed areas. At a time when an appeal to the principle of 'Community solidarity' is on the more responsible lips, and ways are being sought of giving the Community a fresh boost, the ERDF can clearly be a decisive instrument both for development and for job-creation, and for the convergence of the economies - and consequently for asserting some of the most important objectives of the Treaty of Rome. Speaking in February 1982, the President of the Commission, Mr Gaston Thorn, stressed that increasing Community own resources 'is not simply a budgetary matter. It means that we must be in a position to put forward projects and programmes justifying this increased transfer of resources'. This combative dimension is absent from the 1981 7th Report: it is not imbued with any demand for securing adequate resources and drawing up 'projects and programmes', which might perhaps help the Community to go from words to deeds. If the situation continues, your rapporteur is sure that future reports will also be a sorry catalogue of disparities widened and hopes frustrated by the Community's regional policy - and perhaps by its very structure.

6. The 'corrective' role of the ERDF is preserved in the Commission proposal to the Council for amending Regulation 724/75, but with one addition arising out of the report from this committee (rapporteur: DE PASQUALE), referring to the 'reduction and prevention of regional imbalances'. This is a step which opens up new horizons to the ERDF. And your rapporteur must underline the profound anxiety and protest of this committee at the fact that the text of the Regulation as amended by Parliament has not yet been accepted as an official Community document.
7. The report lays particular stress on more effective cooperation with governments, the organization of the use of assistance, and checks on additionality. The recommendations on publicity are clearly a subsidiary measure, whereas the experience derived from operating with the ERDF in 1981, from the deficiencies in the way programmes were drawn up and from the shortcomings in the monitoring of how they were implemented, points to the need for wide-ranging cooperation between local and regional authorities and central ones - and probably with ERDF missions comprising specialists from the recipient country and cadres from the central executives.

In succeeding chapters we refer in more detail to the above points and to various aspects of the 7th Report.

11. GENERAL OBSERVATIONS

8. 1981 may be described as the year in which the economic crisis reached alarming heights. Stagflation in 1981 took the following forms:
 - real GNP in the Ten fell by 0.6%,
 - unemployment rose to reach 9.5% of the workforce,
 - industrial production fell by 2.1%,
 - investments as a percentage of GNP fell by 5.6%,
 - inflation remained at the 1980 level, i.e. 10.6%,
 - the current account deficit as a percentage of GNP was 0.8%, and
 - the financial deficit as a percentage of GNP reached 4.8% (the highest level since the Community was founded)¹.

It should be stressed that the above figures are averaged out from overall economic data and do not show the regional disparities between Member States, or the regionality of some 42 Community regions which have been harder hit, qualitatively and quantitatively, than the central regions. Mr HARRIS's

¹ Commission, European Economy, No 14, November 1982

report on 'the peripheral maritime regions and islands'¹ refers in detail to the regionality syndrome which is typical of the Community's less developed regions.

The Community confronted stagflation by providing for expenditure under the 1981 general budget amounting to 18,434 million ECU. Table 1 shows the appropriations by sector.

Table 1

General budget 1981: appropriations for payment

Sectors	Mio ECU	%
1. Operation (all instruments)	1,017.1	5.5
2. EAGGF - Guarantee	11,612.5	63.0
3. EAGGF - Guidance	517.6	2.8
4. Social Fund	620.4	3.4
5. Regional Fund	819.2	4.4
6. Research, investment, energy	288.5	1.6
7. Development cooperation	791.2	4.3
8. Other sectors	149.2	0.8
9. Reimbursements to Member States	2,410.0	13.1
10. Reserve	207.5	1.1
Total	18,434.0	100

Source: OJ No C 344, 31.12.1982, p. 151

Appropriations for payment for the structural funds amounted to just 10.6% of the total, while the lion's share went to the Agricultural Fund, Guarantee section (63%). It should be recalled that the expenditure envisaged corresponds to only 0.8% of Community GNP. Such a small amount could offer very little to a policy of economic revival, which was unfortunately wholly lacking.

¹ Doc. 1-105/83

10. The eventual ERDF endowment amounted to 1,716.4 Mio ECU in the form of final appropriations. Table 2 shows all commitment appropriations available for 1981.

Table 2

Commitment appropriations available in 1981, evolution and utilization

(Mio ECU)

Chapter	1981 budget	Transfers	Appropriations remaining from 1980	Decommittals	Adjustments (variations in ECU rate)	Final appropriations	Commitments entered into in 1981	Appropriations remaining at end of 1981
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) + ... + (6)	(8)	(9) = (7) - (8)
Quota measures (Chapter 55)	1 463.0	+34.0	31.9	25.5	60.8	1 615.2	1 596.2	19.0
Non-quota measures (Chapter 56)	77.0	-34.0	58.2	—	—	101.2	40.6	60.6
Total	1 540.0	—	90.1	25.5	60.8	1 716.4	1 636.8	79.6

Source: OJ No C 344, 31.12.1982, p. 61

The initial Fund endowment out of the budget in commitment appropriations (Chapters 55 and 56) amounted to 1,540 Mio ECU. To this must be added the appropriations remaining from the 1980 financial year (90 Mio ECU), decommitments (25.5 Mio ECU) and adjustments for ECU rate variations (60.8 Mio ECU). Commitments entered into amounted to 1,636.6 Mio ECU, an increase of 499 Mio ECU on 1980 or a percentage rise of 43.9%. This shows that 95.4% of available commitments were used, as against 92.7% in 1980.

11. Available commitment appropriations for 1981 do not give a true picture of the appropriations available for expenditure. A more representative indicator in the appropriations sector are payment appropriations and the take-up or use of them, as shown in Table 3.

Table 3

Payment appropriations available in 1981, and utilization

(Mio ECU)

Chapter	1981 budget			Carryovers from 1980				Total	
	Final appropriations	Payments	Carryovers to 1982	Appropriations carried over	Transfers	Final appropriations	Payments	Total appropriations available	Total payments
(1)	(2)	(3)	(4) = (2) - (3)	(5)	(6)	(7) = (5) + (6)	(8)	(9) = (2) + (7)	(10) = (3) + (8)
Quota measures (Chapter 55)	799.2	783.4	15.8	4.7	+3.3	8.0	8.0	807.2	791.4
Non-quota measures (Chapter 56)	20.0	—	20.0	10.6	-3.3	7.3	7.3	27.3	7.3
Total	819.2	783.4	35.8	15.3	—	15.3	15.3	834.5	798.7

Source OJ No C 344, 31.12.1982, p. 63

Total payments amounted to 798.7 Mio ECU, or 95.7% of all available payment appropriations. The amount of 798.7 Mio ECU corresponds to only 48.7% of available commitment appropriations (see Table 2), while the total of payment appropriations available (834.5 Mio ECU) corresponds to 48.6% of final appropriations available. In other words, we have here a divergence between available commitment appropriations and final payments amounting to nearly half of commitments.

12. The 7th Annual Report justifies the divergence between commitment appropriations and actual payments as follows:

'It must be remembered that this time-lag is inherent in a situation where ERDF grant decisions by the Commission mean that total assistance granted is immediately charged against the available commitment appropriations, whereas the settlement of commitments, i.e. the actual payment of the assistance granted, is spread, pursuant to the Financial Regulation, over several years in line with the progress of the investment projects financed and is therefore dependent on the pace of public expenditure by Member States.' (Para. 149)

13. In other words, the divergence between available appropriations and payments is due to the fact that public spending by Member States, as well as private investments, take a certain time to be carried out. An explanation of this kind throws the responsibility onto the Financial Regulation, which fixes the payments in accordance with the progress being made in carrying out investment projects which depend on the rate of public investment. The Commission could amend the Regulation to increase the rate at which payments are made. By this means it would give a further incentive to public investment by Member States and additionality would be preserved in its entirety.
14. In addition, a feature of the 1981 financial year, according to the Report by the Court of Auditors, was the slow rate of settlement of commitments. The Report stresses that 'settlement of the commitments remaining from previous financial years continued at a slower rate than anticipated.' (p. 63).

III. QUOTA SECTION

15. The total of quota section appropriations for 1981 was 1,615.2 Mio ECU (Table 2, column 7, first line). Table 2 also shows the source of these resources. Utilization of these resources, broken-down and in total, is shown in Table 4.

Table 4
Balances outstanding and rates of utilization

Member state	Balances end 1981 Mio ECU	Rate of utilization in %
E	27.73	9.8
DK	0.49	97.5
D	16.36	78.2
Gr	- 58.15	130.4
F	80.41	65.3
Irl	- 14.39	116.1
I	- 61.57	110.4
L	0.06	96.1
Nl	4.85	72.7
U.K	26.20	93.2
EC	18.98	98.8

Source: Seventh Annual Report of the ERDF (1981), p. 24

Two points should be made here. Firstly, the rate of utilization (98.8%) is higher than in 1980 (97.3%) but lower than in 1979 (99.6%). Secondly, the rate of utilization differs considerably from one Member State to another. Three Member States, Greece, Italy and Ireland, exceeded their quotas in 1981. The extra amounts should be subtracted from the credits available to these countries for 1982. Three other Member States, Denmark, Luxembourg and the United Kingdom, used almost all their funds. France, the Netherlands, Germany and, most of all, Belgium, on the other hand, took up considerably fewer credits than the funds available to them.

16. The Commission puts forward three reasons to explain the low rate of utilization of available funds by France, Germany, the Netherlands and Belgium (Cf the Report, p. 24):
- too few grant applications in 1981,
 - late and incomplete grant applications,
 - investigation still in progress for certain projects owing to lack of sufficiently detailed information or sectoral difficulties arising during investigation.

These three reasons correctly account for the low rate of utilization; the Commission therefore acted rightly in using sums over and above their quotas on behalf of Greece, Ireland and Italy. What must be emphasized is that Belgium shows the lowest indicator of utilization. The Report gives no explanation. In fact the explanation lies in the fact that that country's share of available appropriations, because of delays in previous financial years, was almost doubled in 1981. The only way this large sum could have been absorbed was to submit fresh projects. Unfortunately, the 7th Report says very little about this, and leaves the door open to various interpretations.

17. In 1981 3,572 projects were submitted for funding, of which 2,759 received aid, leaving a goodly number (993) unfunded. The Commission justifies its decision to reject some 1,000 projects by saying that they did not contribute to the regional development of the areas in question, they did not fulfil the formal condition that 10 jobs be created, or that the information accompanying them was incomplete and there was a risk of creating structural under-employment. The Commission's justifications are not convincing. Your rapporteur would urge this committee to ask the Commission for supplementary information on why the 1,000 projects were rejected, because it would help Parliament to be better informed and also commit Member States and the Commission to drawing up the projects with

greater care. In particular, simple criteria for selecting projects for financial assistance need to be adopted.

18. There is another, more serious problem relating to the grant of interest subsidies on European Investment Bank loans. The 7th Report points out:

'In 1981, as in 1980, no Member State made use of the possibility of obtaining Fund assistance in the form of an interest subsidy on European Investment Bank loans.' (Para. 59)

The Commission should investigate the reasons for this and assess how this form of assistance could be made to work more effectively.

19. Paragraph 56 of the 7th Report is revealing; it says at one point:

'In 1981 the average amount of investment per project was 32.1 Mio ECU for projects costing more than 10 Mio ECU and 1.9 Mio ECU for projects costing less than 10 Mio ECU. Assistance from the Fund was equivalent to 48.2% of national aids and 6.6% of total investment for large projects and 45.9% and 8.7% respectively for small projects. The average grant per project was 2.1 Mio ECU for large projects and 0.2 Mio ECU for small projects.'

20. The reasons which make Paragraph 56 revealing are these:

(a) Fund assistance, which amounts to 48.2% of national investment and 6.6% of total investment for projects costing more than 10 Mio ECU, went to subsidizing large-scale companies against Parliament's resolutions¹. This conclusion emerges from Paragraph 56 itself, which says:

'the list for projects of 10 Mio ECU or more was headed by motor vehicles and spare parts, followed by mechanical engineering and food, drink and tobacco.'

¹ OJ No C 63, 13.3.1978, p. 38; OJ No C 66, 15.3.1982, p. 97

(b) statistics from the Mediterranean countries¹ show that subsidies to projects costing more than 10 Mio ECU went to sectors of industry which are, typically, oligopolistic. The capital of most of these enterprises is foreign investment.

On the other hand, it could be maintained that Fund subsidies to projects costing less than 10 Mio ECU went to sectors of industry which are, typically, in competition, including a host of small and medium-sized companies.

Paragraphs 19 to 21 of this report pose the following question:

What are the most appropriate channels for endogenous development in the less-developed regions of the Community? It is an urgent question, for two reasons. Firstly, neither the old Fund Regulation nor the amended Regulation define the most efficient channels for development. The latter Regulation, in fact, mentions the necessity for endogenous development of the peripheral regions, but without defining the means or the instruments.

unoz J., Roldas S., Serdono A., 'La Internacionalizacion del Capital en Espana' - Madrid: Cuadernos para el Diálogo, 1978
Foreign Investment Institute, 'Stock of Foreign Investments' - Lisbon: May 1979
Perrakis, C., 'Output, Balance of Payments and Employment Effects of Private Foreign Investment' - Ph.D. thesis, Reading University, UK.

Secondly, this committee's position on alternative channels for development needs to be discussed and brought into the open.

23. Your rapporteur proposes the following channels for development:

- (a) Public-sector undertakings, especially in sectors involving advanced technology and the vertical integration of production, such as pharmaceuticals, petrochemicals, energy and alternative sources of energy, micro-electronics and mechanical engineering;
- (b) Craft and agricultural cooperatives covering all activities from production to processing to marketing of final products¹;
- (c) Small and medium-sized undertakings (SMUs)²;
- (d) Popularly funded joint ventures.

On SMUs, this committee is going to draw up a working document on their regional dimension and its impact on their development. It is hoped that the relative advantages of the mobility, promotion and protection of employment offered by SMUs will be dealt with in detail. Concerning cooperatives and joint ventures, it is proposed to draw up separate reports. The Commission could undertake to produce two different studies on the contribution made by cooperatives and artisan trades as factors in the endogenous development of the less developed areas.

IV. INFRASTRUCTURE

24. Article 4.1(b) of Regulation 724/75 provides that the total share of aid intended for financing investments in infrastructure may not exceed 70% of grants given by the Fund (quota section).

The report by Mr CONSTANZO³ referred in detail to the EC Commission proposal on the categories of infrastructure to which the ERDF can give aid⁴.

Particular stress was laid on the principle of flexibility, given that the concept of appropriate or more efficient infrastructure has not been clarified at Community level. In 1981 infrastructures absorbed 88% of the total amount - only 12% was made available to industry - with transport absorbing the largest share, followed by water supply infrastructure projects.

¹ Cf the report by K-H. MIHR on the 'cooperative movement in the EC' (Doc. 1-849/82)

² Cf COM(80) 726 final and Parliament's position, OJ No C 66, 15.3.82 (report by Mr DELEAU, Doc. 1-854/81)

³ OJ No C 292, 8.11.81, p. 76

⁴ COM(81) 38 final

It is true that the degree of economic development of a country is reflected in the level of its infrastructure. Understandably, therefore, Member States have different needs when it comes to infrastructure projects and pursue national policies on regional infrastructure which are proportionate to their economic development. In the case of Greece, for example, a study produced on behalf of the EC Commission¹ concludes that 'there is a positive correlation between infrastructure and regional development' (p. 71).

25. If infrastructures are to make a positive contribution to regional development, it is a basic pre-condition that they should:

- (a) create economic opportunities
- (b) match economic opportunities.

The first factor is dependent on the quality and quantity of the funds invested, and also on the size and dynamism of regional markets. The second is dependent on the endogenous human potential in the regions from one state to another.

V. JOB CREATION

27. Paragraphs 60 and 61 of the 7th Report, which deal with the impact of Fund assistance on employment, are the most important in the Report. The Fund's contribution to job creation in a period of economic decline is of exceptional importance, and a whole chapter should have been written on the methods of assessing the level of direct, and indirect, job creation by way of development.

28. It is worth quoting the Commission's text as it stands:

'The direct creation of permanent jobs therefore takes place mainly in manufacturing and services: the number due to be created or maintained pursuant to the grant applications on which a decision was taken in 1981 is estimated at nearly 60,000. Nearly 90% of the 60,000 are new jobs.'
(Para. 60)

¹ Markatatos G., Meimaris M., Provatas D., Theodorakopoulos A. and Yombre H., 'The Contribution of Infrastructure to Regional Development: Greece', Athens, Dec. 1981

Two points in this text need clarifying. Firstly, the estimate of 60,000 jobs was not made by the Commission but by the Member States in their grant applications. The methods by which such estimates are arrived at by Member States are, at least to this committee, unknown. The Commission should therefore provide more detailed information, so that Parliament may know what contribution was made by the Fund. Secondly, there is no estimate of the indirect contribution made by infrastructure projects to employment, improvement of services, reduction of prices or the more rational distribution of resources.

29. The most revealing paragraph in the 7th Report is No 61, which contains the statement:

'Investment per job created or maintained was 80,000 ECU and Fund assistance per job created or maintained was 5,300 ECU for projects of more than 10 Mio ECU; the figures for projects of less than 10 Mio ECU were 29,500 and 2,550 ECU respectively.' (Para. 61)

This information is set out in the form of a table for the convenience of the reader (Table 5).

Table 5
Cost of creating or maintaining one job

in ECU

	Fund grant	Member-State contribution	Total
projects > 10 Mio ECU	5,300	74,700	80,000
projects < 10 Mio ECU	2,550	26,950	29,500
total	7,850	101,650	109,500
percentage	7%	93%	100%

Four conclusions arise out of Table 5. Firstly, projects costing less than 10 Mio ECU created the most jobs. Secondly, if our earlier reasoning was correct, then SMUs made a decisive contribution to creating new jobs: they are more efficient, even though they have less access to the money market, sources of supply and high-calibre staff. Thirdly, the cost of creating or maintaining one job in projects costing more than 10 Mio ECU is high and economically disadvantageous: if the 80,000 ECU are invested in new capital

equipment for craft industries, which are labour-intensive, the money will create three times as many jobs and could contribute to importing new technology. Fourthly, the Fund's contribution to the total costs is rather small.

The Commission, in its first periodical report on the socio-economic situation in the Community regions¹, points out that the less developed areas suffer from structural problems and that they lack a proper industrial base. Serious action to promote small-scale investment projects will achieve a dual objective: it will boost productive investment and with it the new technology involved, while at the same time enhancing the complementary character of the ERDF with regard to national development programmes.

31. Nevertheless, the Commission must be ready to assist large-scale public or private investment projects in cases where the Member State considers they are of strategic importance to the fuller development of its economy.

32. The question of promoting additionality has been alluded to in all Parliament's previous opinions. The 7th Report would like to believe, in accordance with information from Member States, that the additionality principle has been given a boost, but in fact the Commission is no better informed on the subject than it was. Your rapporteur would point out how unclear that argument is. It is very likely, in a period when Member States are cutting public spending, that a tendency would develop for Fund allocations to be used as substitutes rather than as additional resources. The Commission has proposed introducing ERDF funding on a 'programme contract' basis. It might perhaps be advisable to ask the Commission to notify Parliament of the advantages or disadvantages of funding programme contracts before they are put into effect. If such a system gives the Fund an active part to play in programme planning and promoting investment programmes, without creating extra bureaucratic problems or fresh hold-ups, then the system will make it easier to keep a check on additionality.

Articles 7, 8, 9, 10 and 11 of the Commission proposal amending Regulation (EEC) No 724/75² refer to the technical details of the programmes system, but not to the philosophy behind it.

¹ Commission, Regional Studies 21, Brussels 1981

² COM(81) 589 final

35. The most important way of guaranteeing that grants are additional is to associate the regional authorities in the recipient country in the conception, elaboration and implementation of the programmes, exercise public supervision over their progress and require compulsory half-yearly publication at local level of all the data relating to their execution.

VI. NON-QUOTA SECTION

34. Out of 1,540 Mio ECU in appropriations available in 1981 pursuant to chapter 56 of the budget, 77 Mio ECU were intended for non-quota operations, in other words, approximately 5% of the Fund's total endowment in available appropriations. The provision of funds for such operations is based on the principle of Fund intervention in areas suffering from problems of industrial decline.

35. The total amount of payments made in 1981 for non-quota operations was only 7.3 Mio ECU. In October 1980, the Council approved the funding of projects which the Fund financed out of non-quota resources in the following countries: the United Kingdom, Ireland, France and Italy. It is hoped that the proposed new Regulation (COM(82) 658 final)¹ will intensify such operations, because the economic recession is continuing, while a preventive policy to get declining industries back to work with new incorporated technology will bring long-term benefits.

36. A noteworthy feature is the orientation of regional policy towards transferring new technologies to the less developed regions and researching and developing alternative sources of energy. In this context, the two programmes of specific operations (Ireland and the Mezzogiorno) must be extended to other countries, and governments must be encouraged to draw up and submit new, wider-ranging projects. Everything must be done to prevent a widening of the technology gap, which adds a further, more dangerous dimension to the gap between the economies of the Community countries.

VII. REGIONAL IMPACT OF COMMUNITY MECHANISMS

37. The second chapter of the 7th Report refers in brief to the regional impact of other Community policies, and to the structural funds capable of supporting some kind of planned regional development. Unfortunately the analysis in this chapter does not go deep enough, the information with which it provides Parliament is unclear, and the data it gives are insufficient.

¹ Cf the report by Mr PÖTTERING (PE 82.986) on the amendments tabled by this committee

38. Of the 11 Community Policies (agricultural, monetary, economic, social, regional, environmental, fisheries, transport, industrial, trade, competition etc.), three main policies, the Agricultural, Social and Regional Policies, could have some positive effect on the less developed areas, not in their present-day form, but in amended form. And when we speak about policies, we also mean the channels for funding, i.e. the Agricultural, Social and Regional Funds, the New Community Instrument (the Ortolí Facility or NCI) and the European Investment Bank.

Common Agricultural Policy

- . The Common Agricultural Policy (CAP) consists of three aspects: common organization of the agricultural markets, structural policy and monetary compensatory amounts (MCAs). Usually only the first two aspects are analysed, and it is forgotten or overlooked that changes in the exchange rates of national currencies not only affect prices and incomes but also generate chain reactions (inflation rates, pressure for wage rises, unstable profits, etc.).
40. The level of spending on the first two aspects of the CAP also determines their relative importance. Out of a budget of 19.3 billion ECU for 1981, 66% was absorbed by the EAGGF, the lion's share of which was taken up by the Guarantee Section (the amounts concerned are shown in Table 6).

Table 6

EUROPEAN AGRICULTURAL FUND SPENDING

Year	1964	1968	1977	1979	1980	1981
Guidance section	9.1	123.4	347.5	403.4	591.8	730.6
Guarantee section	50.7	1,039.1	6,830.4	10,440.7	11,314.9	11,570.5
Total expenditure	59.8	1,162.5	7,177.9	10,844.1	11,905.1	12,301.1
Guidance section as % of EAGGF total	15.2	10.6	4.8	3.7	4.9	5.9

41. The Commission has produced a report on the 'regional effects of the CAP'¹. The 7th Report simply mentions it without attaching any particular importance to it. Three conclusions are worth stating:
- (a) Common organizations of the market in agricultural products tend to favour the better-off producers, who are chiefly concentrated in the better-off regions of the EC.
 - (b) A fairly heavy percentage of the products grown in the less developed areas of the Community is not covered by the CAP. 43.7% of agricultural production in Campania, for example, gets no price support.
 - (c) The support rate for the main agricultural products from the less developed areas is below the average.

It might perhaps be worthwhile doing the above report again, since it only referred to the Nine; such a report, if produced, would also need to include the two applicant States. The conclusion, however, which is already clear points to the need for a new equilibrium in the Guarantee Section taking decisive account of the problems of Mediterranean agriculture.

42. The Commission's report² recognizes that the small, and in fact dwindling (Table 6), percentage allowed to the Guidance Section can only make a very small contribution. Any prices policy aimed at bringing about the desired structural changes would also be deficient, because the decision to give up farming depends to a greater degree on the availability of an alternative source of income or opportunity income in non-farming business, taking account of two factors: local conditions and the economic situation in the secondary and tertiary sectors. Local conditions relate to small, low-yield family businesses, where work is the chief income-producing factor, whereas the economic situation in the other two sectors relates to demand. Neither of the two factors is favourable at the moment, or is likely to be in the near future if the recession continues. The Guidance Section clearly needs to be radically strengthened, so that the structural changes which will make it possible to reorganize and modernize farms instead of abandoning them can be made.

¹ Commission of the EC, Study of the regional effects of the CAP, No 21, 1982

² Commission: 'The Agriculture of the Community', 1979 report, Luxembourg, 1980

Social Policy

43. The Social Policy has developed into a policy of 'training and re-education', though without any guarantee that re-education will increase the chances of finding work. It could be maintained that the 4% of budget expenditure (as in 1981) earmarked for the Social Fund is too little to produce any positive results. We should not forget that the Social Fund's endowment was double that given to the ERDF, Guidance Section, in 1980-1981, and that the rate for the former is increasing, while for the latter it is dwindling.
44. A first attempt to revise the Social Fund was made with Commission proposal COM(82) 485 final. But there too the regional dimension was absent. The opinion by Mr Nikolaou (PE 82.990 final) stresses the necessity of amending the Commission's proposals so that the peripheral areas are taken into consideration and, through coordination of the Funds, the conditions for job creation are created.

VIII. OTHER COMMUNITY MECHANISMS

45. The Community's monetary policy has taken the form of the European Monetary System (EMS). The economic rationale of the EMS is to aid the economic and monetary integration of the Community. If the EMS continues in its present form after the transitional period, monetary integration will have an inhibiting effect on the regions. Integrated markets give those involved in production greater mobility and the chance to direct their products towards the areas offering the highest profit. An integrated capital market will direct investment still more towards the better-off areas, accentuating intra-Community disparities still further.
46. Community policies such as the trade, industrial and competition policies are the components of the Common Market, the most advanced stage in the integration of the national economies.
- A Common Market whose aim is to eliminate tariff barriers and liberalize the movement of capital and labour encourages the tendency to concentrate economic production in areas which already possess some relative advantage (such as infrastructure) rather than in areas such as the less developed parts of the Community. The Community's regional policy must be an unremitting effort to balance out the factors encouraging centralization and decentralization in the direction of an overall convergence.

MOTION FOR A RESOLUTION (Doc. 1-667/82)

tabled by Mr KEY, Mr ALBERS, Mr ARNDT, Mr KALOYANNIS and Mr LAGAKOS
pursuant to Rule 47 of the Rules of Procedure
on enhancing the job-creating potential
of the European Regional Development Fund

The European Parliament,

- A. whereas the proportion of EEC regional aid allocated to investment leading directly to the creation of jobs in industry and services fell to only 12% of total regional aid in 1981,
- B. whereas the Commission has recently revealed that fewer jobs were created in 1981 than the average number created in each of the past six years, notwithstanding a 32% increase in ERDF commitment appropriations for 1981,
1. Views with grave concern the fact that, over and above the ever-widening disparities in per capita income and living standards between regions, the Community is apparently failing to exploit the full potential of the ERDF in terms of job creation;
 2. Is convinced that the Community must be seen to be in the front line of the fight against unemployment with a view to the 1984 elections to the European Parliament;
 3. Instructs its committee responsible to draw up a specific and comprehensive report on means of enhancing the job-creating potential of the European Regional Development Fund;
 4. Asks that the local and regional authorities in the Member States, together with both sides of industry, be fully consulted within the context of this report.

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

Draftsman: Mr A. GOUTHIER

At the European Parliament's sitting of 13 December 1982 the Committee on Budgetary Control was asked for an opinion on the Seventh Annual Report (1981) of the European Regional Development Fund (COM (82) 586 final).

At its meeting of 27/28 January 1983 the committee confirmed the appointment of Mr Gouthier as draftsman and adopted his opinion unanimously.

Present: Mr Aigner, chairman; Mr Treacy, first vice-chairman; Mrs Boserup, second vice-chairman; Mr Gouthier, draftsman; Mr Arndt (deputizing for Mr Wettig), Mr Boyes (deputizing for Mr Lalumière), Mr Gabert, Mr Kellett-Bowman, Mr Key, Mr Notenboom, Mr Saby, Mr K. Schön, Mr Simpson (deputizing for Mr Battersby), Mrs van Hemeldonck and Mr Wawrzik (deputizing for Mr Frúh).

1. Introduction

The aim of the European Regional Development Fund, which was established by Regulation No. 724/75 of 18 March 1975¹, is, in conjunction with national aids, to help correct the main regional imbalances in the Community and hence to achieve greater convergence between the economies of the Member States.

Article 21 of the Fund Regulation provides that by 1 October each year the Commission should submit a report to the Council, Parliament and the Economic and Social Committee on the implementation of the regulation during the preceding year.

The document now under consideration by the Committee on Budgetary Control (COM(82) 586 final) is the Commission's Seventh Annual Report and it relates to the financial year 1981.

2. Financial aspects

(a) Evolution and utilization of commitment appropriations

The Fund endowment in 1981 was 1,540 m ECU, to which must be added 90.1 m ECU outstanding from the financial year 1980, 25.5 m in released appropriations and 60.8 m ECU relating to adjustments in exchange rates. The final commitment appropriations therefore totalled 1,716.4 m ECU (1,169.6 in 1980 and 943 in 1979).

Of this total 1,636.8 m ECU or 95.4% was utilized (92.7% in 1980 and 95.2% in 1979).

However, this high rate of utilization conceals an uneven level of implementation between Chapter 55 (quota measures), with a rate of 98.8%, and Chapter 56 (non-quota measures), with a rate of only 39%, despite the transfer of 34 m ECU from Chapter 56 to Chapter 55 during the financial year.

¹ OJ No. L 73, 21.3.1975

(b) Evolution and utilization of payment appropriations

Total payments in 1981 amounted to 798.7 m ECU (726.7 m ECU in 1980 and 513.1 m ECU in 1979).

This represents a utilization rate of 95.7% (97.9% in 1980 and 60.2% in 1979).

The utilization rate for Chapter 55 (quota measures) was 98% but only 26.7% for Chapter 56 (non-quota measures), despite the transfer of 3.3 m ECU to Chapter 55.

Carryovers to 1982 totalled 35.8 m ECU.

(c) Comments

The relatively high rates of utilization in 1981 accord with the wishes expressed in the past by this committee¹. However, there has been a substantial delay in launching the non-quota section (Chapter 56), which again gave rise to considerable carryovers in the financial year under consideration.

As regards the rhythm of implementation of expenditure, the volume of appropriations committed but not yet paid continued to increase substantially, rising from 1,529.28 m ECU at the end of 1980 to 2,281 m ECU in 1981 (and also showing a slight increase as a percentage of total commitments). The Commission should therefore again be asked to devote the utmost attention to the rhythm of payments, which in certain Member States seems to have slowed down significantly.

In the Commission's view² the new system of accelerated payments has had a favourable impact. However, a survey conducted by the Court of Auditors in the context of its annual report for 1981³ shows that the system has not had any effect on the completion times for the projects and the duration of the work, which have not been significantly reduced and regularly overrun the original deadlines.

¹ See Opinion of the Committee on Budgetary Control on the Sixth Annual Report (1980) of the ERDF (PE 75.936)

² Seventh Annual Report of the ERDF, p.87

³ See points 7.33-7.39

3. Breakdown of commitment appropriations by Member State

The amounts committed in 1981 for the quota section were broken down among the Member States as follows:

(m ECU)

	Appropriations committed in 1981	Balance at end of 1981
B	2.686	24.727
DK	19.382	0.489
D	58.670	16.359
GR	249.225	-58.150
F	151.267	80.413
IRL	105.913	-14.392
I	655.551	-61.574
L	1.594	0.065
NL	12.941	4.847
UK	361.492	26.196
EEC	1,618.722	18.979

The Commission points out that, 'in the interests of sound financial management', it was necessary to use the appropriations not taken up by certain Member States to increase the funds granted to countries which had submitted sufficient aid applications, even to the extent of exceeding their quotas¹.

The Court of Auditors criticizes this practice², pointing out that the Commission's Financial Controller refused to grant his approval for the quotas provided for in the current regulation to be exceeded.

Your draftsman considers it important in this connection to stress that the figures contained in the regulation are intended purely as a guide. This does not remove the need to verify, when considering the financial year 1982, the extent to which the Commission has fulfilled its undertaking to restore balance to the allocation of grants.

¹ See Seventh Annual Report of the ERDF, p. 72

² See Annual report concerning the financial year 1981, points 7.10-7.13

4. Breakdown of Fund assistance by category of investment

(Quota section)

%

		Grants	Investments
Industry, craft industry and services	. projects >10 m ECU	5.44	11.04
	. projects <10 m ECU	6.45	9.93
	Total	11.89	20.97
Infrastructure	. projects >10 m ECU	52.83	61.98
	. projects <10 m ECU	34.74	16.82
	. infrastructure in hill and mountain farming areas	0.54	0.23
	Total	88.11	79.03
TOTAL		100	100

Source: Seventh Annual Report of the ERDF

The Commission acknowledges¹ that the current trend is towards infrastructure projects, which is an unfavourable development, since investments of this kind do not have the immediate impact on employment achieved by investment in industry, the craft industry and services.

Under Article 4(1)(b) of the Fund Regulation, the amount of Fund assistance granted to infrastructure projects may not exceed 70% of total grants (on a three-year basis). However, whereas Fund assistance remained close to the prescribed limit for the financial years 1978-1980, in 1981 it rose to 87.3%².

The Committee on Budgetary Control has already expressed concern at this trend in its opinion on the financial year 1980³. The Commission must therefore take decisive action by requesting the Member States to submit more aid applications for projects in industry, the craft industry and services.

¹ See Seventh Annual Report of the ERDF, p. 28

² Source: Court of Auditors - Annual report concerning the financial year 1981, point 7.16

³ See PE 75.936, p. 9

5. Additionality of the investments

The Commission still has grave doubts about whether the investments subsidized by the ERDF do in fact complement the Member States' regional policy programmes¹.

These doubts have in the past been shared by the committee. The non-existent or inadequate additionality of Fund measures is a kind of 'original sin' of the common regional policy and was tackled in particular by this committee during its consideration of the proposal for a new Fund regulation². Only through far-reaching changes in the procedure for granting aid, such as the introduction of financing contracts for the investment programmes (contracts negotiated between the Commission and the Member States) will there be any hope of achieving greater control over the additionality of the investments.

6. Accounting and procedural problems

There are also a number of obstacles of an accounting and procedural nature which impede effective assessment of the impact of Fund measures. Both the Court of Auditors and the Committee on Budgetary Control have on several occasions emphasized the urgent need for the Commission to install electronic data-processing equipment to enable the implementation of each project to be checked at any time. Such equipment was felt by the committee to be 'crucial to the (...) monitoring (...) of measures financed by the Fund'³.

Attention was also drawn to the lack of information from the Member States, which do not provide the quantified data needed both to assess the profitability of the investments and to examine their consistency with the Community's other objectives and the Member States' own regional policies.

¹ See Seventh Annual Report of the ERDF, p. 33

² See PE 76.072/fin.

³ See Opinion of the Committee on Budgetary Control on the proposal for a regulation amending the ERDF Regulation (PE 76.072/fin.)

This matter is not, however, dealt with in the report under consideration, which merely expresses regret that the table compiled from the statistical information provided by the Member States pursuant to Article 6(6) of the ERDF Regulation 'can only give an imperfect and incomplete view at the Community level of national regional aids and those of the ERDF'¹.

Here again it is to be hoped that the early adoption of the new Fund Regulation, based on conciliation between the Community and the Member States and coordination of their respective regional policies, will help to improve the situation. In particular, Article 10 of the proposal places greater obligations on the Member States with regard to the provision of information.

7. Control

In 1981 the Commission carried out on-the-spot checks on 223 projects financed by the Fund (202 in 1980). The Court of Auditors was associated with five inspection visits (2 in 1980). The Commission therefore failed to achieve its original objective, which was to carry out inspections on 10% of the projects, although control activities were intensified to some extent.

The Commission also introduced 'systematic action on a regional basis' in connection with 'dormant' projects, with a view to speeding up the procedures and enabling the files to be closed or, where appropriate, the relevant appropriations to be released.

Although the checks uncovered no operation of a fraudulent nature, they do reveal certain inaccuracies in the information provided and administrative delays. In particular, it emerged that a number of projects had already been completed without the Commission being informed.

This reinforces the validity of the comments made by this committee in the past, and reiterated in the preceding section, on the need to step up exchanges of information with the Member States and to reorganize the Commission's accounting system to enable exceptional delays to be detected in time.

¹ See Seventh Annual Report of the ERDF, p. 7

² See Seventh Annual Report of the ERDF, p. 78

On the other hand, the draftsman welcomes the Commission's intention to carry out a detailed analysis of the progress made with the 1975, 1976 and 1977 projects and to release the appropriations allocated to projects which have far exceeded their completion dates. The results of this analysis should be assessed carefully when consideration is given to the forthcoming financial years.

Again in 1981 one Member State refused to allow Commission representatives to carry out on-the-spot checks. Following the conclusion of agreements, however, this did not recur in 1982.

8. Publicity

A number of problems which had already occurred in previous financial years in this area again arose in the year under consideration.

In particular, the Member States still have no common criteria with regard to the erection of signboards indicating the Fund's contribution to the implementation of the projects in question. As a result some countries erect signboards fairly frequently, while others virtually never do so. The Commission should therefore propose uniform rules in this sector which would be acceptable to the Member States.

Another particularly unsatisfactory aspect is the publication in the Official Journal of the list of projects which receive grants. In its opinion on the financial year 1980 this committee stated that it was 'unacceptable that the Commission should publish details of the projects it has approved some 12 to 18 months later in the Official Journal'¹. It emerges from the Seventh Annual Report² that the list of projects decided on in 1980 had not yet been published on 30 September 1982. The technical reasons put forward by the Commission (difficulties with translation) seem somewhat superficial. In particular, the fact that the lists do not in any event make it possible to identify the projects, though highly regrettable, does not, as the Commission seems to think, provide a justification for this delay.

¹ See PE 75.936, p. 16

² See Seventh Annual Report of the ERDF, p. 86

A similar delay has arisen in the publication of the six special programmes approved in 1981, involving non-quota measures.

9. Conclusions

- (a) Taken as a whole the utilization of budget resources in the financial year 1981 was satisfactory. However, the utilization of the appropriations entered under Chapter 56 was affected by the substantial delay in launching the non-quota measures.
- (b) The rhythm of implementation of expenditure and of the projects is still rather slow and studies should be carried out into ways of speeding it up.
- (c) In 1982 balance should be restored to the allocation of funds among the Member States in order to adhere more closely to the quotas indicated.
- (d) In view of the situation on the labour market and of the existing text of the ERDF Regulation, it would be appropriate to restrict the percentage of grants earmarked for infrastructures and to increase expenditure on projects in industry, the craft industry and services.
- (e) In order to achieve effective additionality between ERDF measures and the Member States' regional policies there must be a fundamental change of approach. The early adoption of the new Fund Regulation would represent a step in this direction.
- (f) The installation of an electronic system of data processing and a more intensive flow of information between the Commission and the Member States are essential for an assessment of the implementation and impact of the projects financed.
- (g) If the number of controls based on documents and of on-the-spot checks are increased it should be possible for a large number of files to be closed and for the Commission to recover funds by directly releasing the appropriations involved.

(h) It is essential for the Commission to propose uniform rules on publicity in the form of signboards and to step up its efforts to publish the lists of projects financed and the special programmes for non-quota measures.

