

European Communities

EUROPEAN PARLIAMENT

Working Documents

1975-1976

23 September 1975

DOCUMENT 258/75

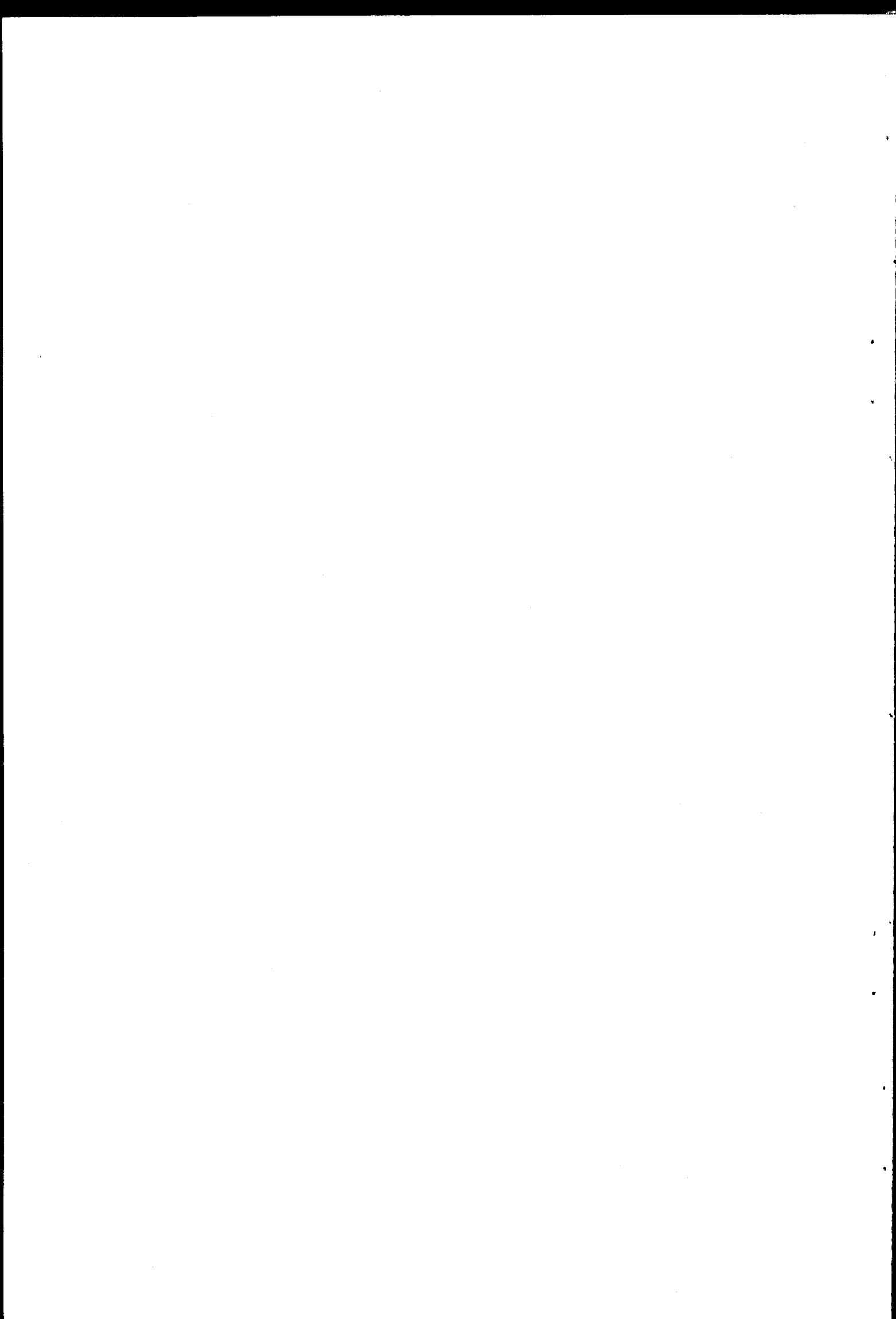
Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 155/75) for a regulation amending the Financial Regulation as regards appropriations for the European Social Fund

Rapporteur: Mr Michael SHAW

PE 41.494/fin.



By letter of 17 June 1975 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending the financial regulation as regards appropriations for the European Social Fund.

This proposal was referred to the Committee on Budgets as the Committee responsible on 1 July 1975 and to the Committee on Social Affairs and Employment for its opinion.

On 15 July 1975 the Committee on Budgets appointed Mr Shaw rapporteur.

It considered this proposal at its meeting of 16 September 1975 and unanimously adopted the motion for a resolution and the explanatory statement.

The following were present: Mr Lange, chairman; Mr Shaw, rapporteur; Mr Artzinger, Lord Bruce, Mr Cointat, Mr Dalyell, Mr Lagorce, Mr Maigaard, Mr Normanton (deputizing for Mr Kirk), Mr Notenboom.

The opinion of the Committee on Social Affairs and Employment is attached.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending the Financial Regulation as regards appropriations for the European Social Fund

The European Parliament,

- having regard to the proposal of the Commission of the European Communities¹,
 - having been consulted by the Council (Doc. 155/75),
 - having regard to the report of the Committee on Budgets and the opinion of the Committee on Social Affairs and Employment (Doc. 258/75),
- (a) aware of the particular difficulties in the making of payments to beneficiaries under the European Social Fund within the deadlines laid down by the Financial Regulation²,
 - (b) aware of the need for extensive on-the-spot verification necessary for the correct functioning of the European Social Fund,
1. Approves the proposal of the Commission of the European Communities for a regulation amending the Financial Regulation as regards appropriations for the European Social Fund, while recalling that it has always regarded the scope for recourse to the carry forward procedure as presenting the possibility of substantially modifying the budget, if used too generally;
 2. Considers, for these reasons, that, in any event, the provisions relating to the carry forwards of the appropriations in question should be examined, with the Parliament, not later than in the context of the general revision of the regulations relating to the new European Social Fund established by the Council decision of 1 February 1971;
 3. Proposes, therefore, an amendment to this effect, to the proposed regulation which it asks the Commission of the European Communities to incorporate, pursuant to Article 149, second paragraph of the Treaty, in its proposal.

¹ OJ No. C 142, 25.6.1975, p.5

² OJ Vol. 16, L.116, 1. 5. 1973

PROPOSAL FOR A REGULATION
amending the
Financial Regulation as regards appropriations for
the European Social Fund

Preamble and recitals

Unchanged

Article 1

Unchanged

Article 2 (new Article)

The provisions of Article 1 shall be
subject to review as part of the
general review envisaged in
Article 11 of the Council Decision
of 1 February 1971 on the reform of
the European Social Fund. (2)

Article 2

Article 3

Unchanged

(1) In the complete text, see OJ No. C 142, 25.6.1975, p.5

(2) O.J. No. L.28 of 4. 2.1971

EXPLANATORY MEMORANDUM

1. The Commission, in its present proposal, seeks to extend the period during which European Social Fund appropriations carried forward can be used. It justifies this proposal on the basis of the rules governing payments made under the Fund and it argues that the general rules laid down in Article 6 of the Financial Regulation are too inflexible for the particular case of the Social Fund.

Under the procedures ⁽¹⁾ governing the operation of the Fund, payments on account can be made to beneficiaries up to 85% of total assistance agreed to. Before the balance is paid procedures of verification have to be gone through, and which involve on-the-spot verification, to ensure that all applications are well founded. The Commission has found that in the operation of the Fund it is impossible to respect both the deadlines laid down in Article 6 of the Financial Regulation and the rules governing the operation of the European Social Fund, particularly as regards the control procedures.

2. So the Commission proposes that appropriations under the Social Fund to cover commitments entered into may be carried forward for the following two financial years. In the view of the Commission this prolongation of the right to carry forward all appropriations will be sufficient to guarantee the smooth functioning of the Fund.

3. Your committee has borne in mind the urgency of the situation in which the European Social Fund finds itself. Commitments seem to have been entered into which cannot be honoured within the deadlines imposed by the Financial Regulation. Therefore it seems desirable that this special amendment to the Financial Regulation should be approved without delay.

(1) O.J. No.101 , 28.4.1972, p. 3

4. However, the approval by Parliament of this proposed amendment should not be interpreted as indicating that Parliament is satisfied with the functioning of the Financial Regulation, particularly in view of the growing volume of non-automatic carry forwards over recent years. Indeed, in its resolution of 20 June 1975 ⁽¹⁾ the Parliament registered its dissatisfaction with the working of this aspect of the Financial Regulation and subsequently the Committee on Budgets has been examining ways of improving the present situation :

- (a) by an increase in the role of Parliament in the control of the carry-forwards of appropriations ;
- (b) through certain general changes to speed up Community payment procedures, using a greater flexibility of approach.

5. Your committee recognises that under the proposed amendments to the Treaties increasing Parliament's budgetary powers, the role of Parliament in the consultations concerning the amendments to the Financial Regulation will be increased. In particular, Article 209 in the draft changes to the Treaty now envisages both the consultation of Parliament and of the proposed Court of Auditors on proposed changes to the regulations and for the general rules concerning the responsibilities of the various authorising authorities.

Your committee further understands that major changes within the financial regulations are to be proposed by the Commission in the light of the changes to the treaties currently awaiting ratification. At the moment that Parliament is consulted on those changes the Committee on Budgets will wish to make major proposals concerning the role of Parliament in two areas in particular : the carry forward of appropriations and internal budgetary transfers.

6. In the intervening period, and given the urgency of the situation, the Committee on Budgets approves the present proposal of the Commission.

(1) O.J.No C157, 14. 7.1975

7. However, this approval is not open-ended. Article 11 of the Council decision of 1 February 1971 on the reform of the European Social Fund provides that the Council shall review the decision not later than five years after the date of its entry into force. The new Social Fund came into operation on 1 May 1972 and, therefore, a general review of the operation of the Fund, including the financial aspects of its operation, is likely during 1976 so that the examination may be completed by 1 May 1977. This being the case, it is desirable to include a further paragraph in the proposal in Document 155/75 to ensure that all the financial aspects, including carry forward arrangements, are examined at that stage, at the latest. It is hoped, however, that comprehensive proposals for a review of the financial regulation will be put forward by the Commission well before that date - and ideally before the end of this year - and these will cover, inter alia, the arrangements relating to the carry forward of appropriations from one financial year to another.

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS
AND EMPLOYMENT

Letter from the chairman of the committee to
Mr E. LANGE, chairman of the Committee on Budgets

Brussels, 17 September 1975

Dear Mr Chairman,

The Committee on Social Affairs and Employment, which was asked by the President of the European Parliament on 1 July 1975 for its opinion on the draft regulation amending the Financial Regulation as regards appropriations for the European Social Fund (Doc. 155/75), considered this proposal at its meeting of 17 September 1975.

I can inform you that the committee raised no objections to the proposal.

Yours sincerely,

Alfred BERTRAND
Chairman
Committee on Social Affairs
and Employment