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(Information)

COURT OF AUDITORS

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**on the programming of the Community Initiative concerning
trans-European cooperation – Interreg III, together with the
Commission’s replies**

(pursuant to Article 248(4), second subparagraph of the EC Treaty)

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ABBREVIATIONS AND GLOSSARY

CI	Community Initiative. One form of Structural Fund intervention, alongside operational programmes, technical assistance and innovative actions. There are four CIs: Interreg, Urban, Leader and Equal.
CIP	Community Initiative programme.
EEIG	European Economic Interest Grouping. EEIGs are legal instruments established under Council Regulation (EEC) No 2137/85 of 25 July 1985 (OJ L 199, 31.7.1985, p. 1) to permit legal entities and natural persons from different Member States to form legal groupings.
ERDF	European Regional Development Fund
ESDP	European Spatial Development Perspective. A discretionary and non-binding inter-governmental document adopted in Potsdam in May 1999 by the Informal Council of Ministers responsible for Spatial Planning. It is a policy framework that was adopted to improve cooperation between Community sectoral policies with significant spatial impacts.
JTS	Joint technical secretariat. This body assists the managing authority in the exercise of its duties.
Managing authority	An authority or body designated to manage an intervention programme. It is responsible, on the one hand, for the efficiency and correctness of management and, on the other hand, for implementation (receiving, examining and evaluating proposed operations, gathering data, drawing up the annual report, organising the mid-term evaluation, etc.).
Monitoring committee	Body appointed for each programme by the Member States concerned. It is responsible for checking how assistance is being managed by the managing authority, ensuring compliance with the programme priorities and implementing rules and reviewing the programme evaluation.
NUTS	Nomenclature of Statistical Territorial Units, which divides each Member State into a hierarchy of regions (NUTS level I). These are then subdivided into NUTS level II regions, which are again sub-divided into NUTS level III. The territory of the European Union comprises 78 regions at level I, 210 regions at level II and 1 093 at level III.
Objective 1	One of the three priority objectives of the Structural Funds. It seeks to promote the development and structural adjustment of regions whose development is lagging behind. As a rule, all the Funds contribute to programmes targeting these regions.
Objective 2	One of the three priority objectives of the Structural Funds. It seeks to support the economic and social conversion of areas facing structural difficulties. Only the ERDF and the European Social Fund (ESF) contribute under this objective.
Paying authority	An authority or body designated for the purposes of drawing up and submitting payment applications and receiving payments from the Commission.
SFs	Structural Funds

Steering committee	Committee responsible for the joint selection of projects and for the coordinated monitoring of project implementation. It is composed of representatives from each country. Where appropriate, its duties may be discharged by the monitoring committee.
SWOT	Strengths, weaknesses, opportunities and threats. SWOT analysis is a strategy definition tool. It consists of establishing a list of strengths and weaknesses, opportunities and threats in the field concerned, which in this case is a territorial area.
Trans-European	Generic term used for the three strands of the Initiative: cross-border cooperation (Strand A), transnational cooperation (Strand B) and interregional cooperation (Strand C).

SUMMARY

I. The Interreg Community Initiative (CI) was launched in 1990 in an attempt to tackle the isolation of border areas. By proposing cooperation between partners in different Member States, it contributes to the opening of borders. It was renewed for the periods 1994 to 1999 (Interreg II) and 2000 to 2006 (Interreg III). With commitment appropriations of 4 875 million euro, Interreg III is the most substantial CI.

II. The Court's audit of Interreg III covered the period from the preparation of the Commission guidelines to the first decisions to adopt beneficiaries' projects. The objective was to answer the following questions:

- (a) Do the guidelines make it easier to attain the CI objectives?
- (b) Did the Commission use a suitable procedure for examining CIP proposals and were decisions taken within the agreed deadlines?
- (c) Did the various partners cooperate as provided by the guidelines?
- (d) Was the initial analysis for each region consistent with the priorities and measures of the corresponding CIP, as required by the guidelines?
- (e) Will it be possible to measure progress *ex post*?

III. The Interreg III guidelines focus on the procedures for implementing programmes that seek to enhance cooperation. However, they were not made available until preparation of the CIP proposals had been under way for at least a year. The proposed objectives are not targeted and cannot be measured or quantified. There are no indicators with which to assess how much overall progress has been made.

IV. Procedures by which the Commission could examine CIP proposals had been devised and put in place. However, the assessment criteria were under-prepared and insufficient improvements had been made in response to the significant shortcomings identified in the proposals. The adoption of the programmes was delayed, with the result that the process of cooperation between eligible regions was interrupted and the available appropriations were under-utilised.

V. As advocated by the guidelines, the programmes were prepared in the context of a consultation process. The partners from the various Member States generally contribute to implementation in a spirit of cooperation. However, there remain some obstacles to setting up CIP implementation structures that are genuinely shared and to allocating the financial resources of the ERDF.

VI. From the point of view of consistency, the Strand A and B programmes incorporate numerous analyses. However, these are of little use. This is because the priorities and measures were established on the basis of other concerns which are not elucidated in the programmes. Neither were decisions made concerning the resolution of problems caused by the presence of a border, and the analyses do not help to fix the starting points in terms of which progress is to be measured. The first projects to be adopted were prepared and will be implemented in the context of cooperation between the different partners concerned. However, because some projects are limited to the sharing of experience, they do not always contribute significantly to the resolution of problems specific to border areas.

VII. The indicators are inadequate to the task of *ex post* evaluation of the progress made. They do not correspond closely enough to the objectives. Moreover, some indicators need to be clarified and the information sources used to constitute them should be more precise. In most of the cases examined the computer application had still not been introduced.

VIII. For the current period, the Court recommends that the systems of indicators applied to each CIP be simplified and improved in order to give a more valid measure of impact. The project selection criteria should be strengthened so as to enhance the added value of projects, i.e., the degree to which they contribute to the resolution of border-related problems.

IX. If the Initiative is renewed after 2006, the Commission should launch a study to ascertain which problems are caused by the existence of a border. Whatever the approach adopted, the study would help in the setting of concrete objectives to be given priority status in the CI and which give the CI itself added value. Indicators therefore need to be defined for each strand. Subsequently, setting detailed criteria for the Commission's assessment of CIP proposals would make it possible to adopt a proactive approach towards the Member States. The analyses requested at the level of each CIP should be used to set specific objectives and measure progress at that level.

X. The guidelines and methodology documents should be made available before work starts on preparing CIPs, and the *ex ante* assessor's role and the content of the programme complement need to be clarified.

XI. Finally, in order to encourage cooperation the financial resources allocated to the Initiative should no longer be assigned by Member State, and the work begun on legal cooperation instruments should be completed and the recommendations put into effect.

INTRODUCTION

Context

1. The Interreg Community Initiative (CI) was launched in 1990 in an attempt to tackle the isolation of border areas. National frontiers are obstacles to the balanced development and integration of the European territory. Firstly, they separate border communities economically, socially and culturally, thereby hindering collaborative management ⁽¹⁾. In addition, there is a tendency for national policy to neglect border areas, which thus take on secondary importance within the national territory. The CI was renewed for the period 1994 to 1999 (Interreg II) and again for 2000 to 2006 (Interreg III). It seeks in particular to promote cooperation between regions in different Member States and is therefore at the heart of European integration.

2. There is an explicit reference to Interreg in the basic instrument establishing the Structural Funds (SFs) ⁽²⁾. It is carried out at the initiative of the Commission, which adopts guidelines defining its aims, scope and method of implementation. The process linking the basic legislation to the end projects to be implemented by the beneficiaries of aid is shown in *Table 1*.

3. For the period 2000 to 2006, out of a total of 10 432,5 million euro assigned to the four CIs ⁽³⁾, 4 875 million euro in commitment appropriations were allocated to Interreg III for interventions under the European Regional Development Fund (ERDF), one of the four SFs. Interreg is thus the largest CI. An overview of the utilisation of the available appropriations since the start of the period is given in *Table 2*.

4. The Court previously examined the Interreg CI at the end of its first implementation period (Interreg I) ⁽⁴⁾. The main conclusions highlighted:

- (a) the projects' lack of a cross-border character and the absence of cross-border cooperation, *inter alia*, in the management of the Community Initiative programmes (CIPs);
- (b) the absence of indicators and the unsatisfactory nature of the assessment of the CIPs' impact;
- (c) delays in the adoption of the programmes by the Commission.

5. At the end of the second implementation period (Interreg II), the Commission reported that the projects' cross-border character, the *ex ante* evaluations and the systems of indicators needed to be improved ⁽⁵⁾.

⁽¹⁾ For example, environmental decisions (pollution, water resources, etc.) may be taken on one side of a border without allowing for the situation on the other side, infrastructure (roads, buildings, etc.) may be built without considering what needs exist just across the border, and transport networks may stop at border crossings or fail to be coordinated.

⁽²⁾ Paragraph 38 of the preamble and Articles 20 and 21 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26.6.1999, p. 1).

⁽³⁾ Pursuant to Article 7 of Regulation (EC) No 1260/1999, 5,35 % of the commitment appropriations from the Structural Funds for the period 2000 to 2006, or 195 000 million euro at 1999 prices, is allocated to the CIs (Interreg, Urban, Leader and Equal). Article 20 adds that 2,5 % of this 195 000 million euro is assigned to Interreg.

⁽⁴⁾ Annual Report concerning the financial year 1994, paragraphs 4.61 to 4.72 and 4.89 (OJ C 303, 14.11.1995).

⁽⁵⁾ See 'Community Initiative Interreg II 1994 to 1999: an initial evaluation', January 2000, and 'Working paper 6 (5 May 2000) – *Ex ante* evaluation and indicators for Interreg (Strand A)'. Working paper 6 was expanded to include Strand B and reissued as working paper 7.

Main features of the Initiative for the period 2000 to 2006

6. Interreg III comprises three strands ⁽¹⁾: Strand A covers cross-border cooperation between neighbouring regions (53 CIPs); Strand B covers transnational cooperation across large groupings of regions (13 CIPs); and Strand C covers interregional cooperation across the Community as a whole (four CIPs). The main features of each Strand are shown in *Table 3*. The Initiative is therefore no longer limited to cross-border cooperation, although this was the basis for its establishment in 1990. It has become a trans-European cooperation initiative (see glossary) ⁽²⁾.

7. Compared with the previous generations of the Initiative, the guidelines for Interreg III are characterised by a considerable strengthening of procedures with a view to improving cooperation, especially as regards:

- (a) the joint nature of the strategy for the eligible area;
- (b) the establishment of joint bodies for CIP implementation. Each programme must have a single managing authority, a single paying authority, a joint technical secretariat (JTS), a steering committee composed of representatives from each country and a single monitoring committee (see glossary). Each aid contract must be concluded with a single final beneficiary having legal liability, which is subsequently responsible for settling its contractual rights and obligations vis-à-vis its partners in the project in question ⁽³⁾;
- (c) the shared nature of each CIP's financial elements. There is to be a single financial plan, contributions from the ERDF no longer being broken down by Member State, and the bank account into which ERDF payments are made must also be shared ⁽⁴⁾.

⁽¹⁾ Communication from the Commission to the Member States of 28 April 2000 laying down guidelines for a Community initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory – Interreg III (OJ C 143, 23.5.2000, p. 6) and Communication from the Commission to the Member States of 7 May 2001 – ‘Interregional cooperation’ – Strand C of the Interreg III Community Initiative (OJ C 141, 15.5.2001, p. 2).

⁽²⁾ Although regions from the accession States and third countries are partners in a number of Interreg CIPs (see the titles of some CIPs on *map 1*, the hatched regions of *map 2* and some regions and countries on *map 3*), they do not receive funding under the CI. The assistance from which they benefit derives from Community instruments other than the SFs.

⁽³⁾ Previously, each of the Member States involved in a CIP designated a separate implementing body and different final beneficiaries.

⁽⁴⁾ Previously, each CIP had as many financial plans and bank accounts receiving Community payments as there were Member States involved.

8. This ‘pooling’ of the implementing bodies and financial elements should in principle encourage the emergence of a common strategy and approach for the area concerned. It could also simplify the Commission's management of CIPs, since hitherto the Commission had to handle as many representatives and payment requests as there were Member States involved in each programme.

9. The new guidelines also introduce the need for enhanced complementarity with other SF interventions. Moreover, in the interests of simplification, Interreg has now been assigned exclusively to the ERDF.

The Court's audit

10. In view of the importance of the Initiative (see paragraph 3), the difficulties that were detected (see paragraphs 4 and 5) and the substantial changes that were made for the period 2000 to 2006 (see paragraph 7), the Court resolved to audit the programming of Interreg III. Its objective was to answer the following questions and examine what follow-up had been given to the observations made by the Court in the course of its first audit (see paragraph 4):

- (a) Do the guidelines make it easier to achieve the CI objectives?
- (b) Did the Commission use a suitable procedure for examining CIP proposals, and were decisions taken within the agreed deadlines?
- (c) Did the various partners cooperate as required by the guidelines?
- (d) Was the initial analysis for the region concerned consistent with the priorities and measures of the CIPs, as required by the guidelines?
- (e) Will it be possible to measure, *ex post*, the progress achieved?

11. The audit covered the period from the preparation of the Commission guidelines to the first decisions to adopt beneficiaries' projects. No statements of expenditure had yet been submitted in respect of these projects. The first two questions were examined at the level of the Commission, and the remaining three at Member State level. Eight CIPs were selected so as to form a representative sample of the situations encountered, i.e. of each of the strands set out in the Commission guidelines, and of a variety of contexts (see *Table 4*). These CIPs account for 20 % of the budgetary envelope allocated to the Initiative. The audit was not concerned with matters connected with cooperation at external borders, which constitute a separate case, especially as regards coordination with other financial instruments ⁽⁵⁾.

⁽⁵⁾ See the Annual Report concerning the financial year 2002, paragraphs 7.46 to 7.59 (Takis cross-border cooperation programme) and 8.51 to 8.57 (Phare cross-border cooperation programme) (OJ C 286, 28.11.2003).

THE COMMISSION GUIDELINES

12. The Commission sets guidelines for each CI. The purpose is to establish conditions aimed at ensuring added value vis-à-vis the traditional measures applied under Objectives 1 and 2 (see glossary). In the Court's view, the guidelines should lay down desiderata concerning the projects to be implemented by beneficiaries, as well as operational rules specific to the CIPs, and define the eligible areas. There must also be a definition of specific, measurable and operational objectives and targeted measures. If the guidelines are to be sufficiently taken into account, it is crucial that they be made available before the work of preparing CIPs gets under way.

Do the guidelines contain an adequate definition of trans-European projects?

13. The Commission guidelines define trans-European projects ⁽¹⁾ in terms of their implementation and impact: operations must be 'selected jointly and implemented, either in two or more countries or third countries, or in a single Member State, where it can be shown that the operation has a significant impact on other Member States or third countries' ⁽²⁾. The guidelines also stipulate that all measures and projects must demonstrate the added value of a trans-European approach.

14. It is therefore important at the level of each CIP to put the definition of trans-European projects into practice and ensure that projects contribute to the resolution of problems caused by the existence of a border (see paragraphs 66 to 69).

Do the guidelines include specific implementing rules?

15. Various recommendations concerning implementation were formulated at the time of the *ex post* evaluation of Interreg I, which was carried out at the Commission's request. Subsequently, the 'Linkage Assistance and Cooperation for the European Border Regions' (LACE) project ⁽³⁾ drew up a typology of Interreg II

⁽¹⁾ A generic term used for the three strands of the Initiative: cross-border cooperation (Strand A), transnational cooperation (Strand B) and interregional cooperation (Strand C).

⁽²⁾ Paragraph 7 of the Communication to the Member States of 28 April 2000.

⁽³⁾ *Ex post* evaluation of the Interreg I cross-border CIPs for 1989 to 1993, which was carried out by FERE Consultants in August 1996. The 'Linkage Assistance and Cooperation for the European Border Regions' (LACE) project was run by the Association of European Border Regions (AEBR). This body, which was set up in 1971 with the aim of representing European cross-border regions, has almost 80 members in 160 zones adjacent to the European Union's internal and external borders. Documents that it has produced address the following subjects: cross-border cooperation on maritime borders (June 1998), institutional aspects of cross-border cooperation (March 1999) and programme management models for Interreg IIIA (November 1999). Other documents, published after the guidelines were prepared, concern cross-border financial management (January 2000) and operational guidance on the preparation and management of Interreg IIIA programmes (June 2000).

CIPs on the basis of the methods used for implementing programmes, emphasis being placed on the most integrated practices. The recommendations, which are taken up by the guidelines (see paragraph 7), included the following:

- (a) that all sectors, including the private and non-commercial sectors, participate as much as possible and from as early as the CIP preparation stage;
- (b) that preparation and management be centralised, preferably at a permanent cross-border organisation. The Commission was therefore to encourage the establishment of permanent cross-border bodies and prepare model interregional agreements;
- (c) that a single bank account be used to receive Community funds. National funds could also be paid into this account;
- (d) that each aid contract be concluded with a single partner, into whose account payment would be made. This beneficiary should have its own contractual arrangements with partners on both sides of the border.

16. The guidelines provide for the establishment of European Economic Interest Groupings (EEIGs – see glossary) in order to ensure that the bodies implementing cooperation are genuinely shared. However, some Member States drew attention to a number of legal problems that the Commission had insufficient time to address in detail (see paragraph 44). In January 2003, the Commission launched a study of legal instruments that might be used in the field of trans-European cooperation.

Do the guidelines include specific measurable objectives and targeted measures?

17. Regarding objectives and indicators, the *ex post* evaluation of Interreg I drew attention to:

- (a) the need to clarify the purpose of cooperation, since Interreg programmes pursue the same objectives as traditional programmes. However, the latter can call on far more generous financial resources, and the eligible regions are not all affected by development difficulties;
- (b) the absence of clear, quantified initial objectives;
- (c) the need to establish relevant indicators.

18. In anticipation of a Parliament opinion on the Interreg III guidelines, the Commission prepared a brief information paper consisting of an initial review of Interreg II ⁽⁴⁾. However, this document is very general and focuses on matters of implementation. Usually, despite the studies referred to in paragraph 15 and the results of the Interreg II interim evaluation, no analysis of the specific situation of eligible areas or information concerning the progress made towards attaining the CI objectives or the specific CIP objectives under either Interreg I or Interreg II

⁽⁴⁾ 'Community Initiative Interreg II 1994-1999: an initial evaluation', January 2000, European Union — regional policy.

was available to the Commission. This situation hampered the setting of specific concrete objectives.

Objectives and indicators

19. In the Interreg III guidelines, each Strand has many far-reaching specific objectives (see *Table 3*). The guidelines also state, in the light of the general guidelines of the SFs and Community policy, that preference will be given to employment, competitiveness, sustainable development and the promotion of equal opportunities for women and men.

20. The Commission has entrusted the authorities responsible for CIPs in the Member States with the task of setting concrete objectives on the basis of an analysis of the problems facing border areas. It has established operational rules (see paragraphs 7, 15 and 16) but no specific measurable objectives. It is therefore especially important that, when examining the Member States' programme proposals, it should ensure that substantiated, targeted choices have been made.

21. The documents produced in order to guide the authorities preparing CIPs through the *ex ante* evaluation and the selection of indicators specific to Interreg ⁽¹⁾ should have focused above all on key ideas translating the Commission's priorities, with a view in particular to the *ex post* evaluation. With this in mind, and on the basis of the experience acquired during the two previous generations of the CI, it would have been helpful, say, to devise a minimum common system of indicators that could be applied to all programmes under the same strand. Instead, the documents:

- (a) emphasise above all the difficulties of making an *ex ante* evaluation, defining priorities for action and measuring programme impact. They are not really suited to the task of setting up a system with which to assess the impact of CIPs;
- (b) maintain a certain degree of confusion as regards indicators: while advocating that the indicators be limited in number, they refer successively to indicators of context, impact, cooperation/integration, output and result, as well as to key indicators, and recommend the use of qualitative indicators. Examples are given of output, result and impact indicators. Moreover, the definition of these separate categories is somewhat unclear, in particular as regards output and result indicators: the number of project participants, for example, is seen at times as a result indicator;

⁽¹⁾ 'Working paper 6 (5 May 2000) — *Ex ante* evaluation and indicators (Strand A)' — and working paper 7 (October 2000), which expands the content of working paper 6 to include Strand B. The *ex ante* evaluation should seek in particular to assess the consistency of the strategy and the designated objectives, account being taken of the strengths and weaknesses identified.

- (c) fail to address Strand C, for which it was decided to define indicators in the course of implementation, since the Commission conceived of this Strand as a framework for cooperation without precise knowledge of the specific needs and corresponding objectives (see paragraph 24). Although inter-regional cooperation projects had been in receipt of ERDF support since 1995, the Commission had no access to the relevant evaluations when preparing the Strand C guidelines.

Targeting of measures

22. Where the Initiative's Strand A is concerned, the Commission guidelines contain a list of purely discretionary measures. The Member States have the option of setting up programmes that are very broad in scope. While, along the lines of the intervention programmes run under Objectives 1 and 2, these may include economic, social, cultural and environmental measures, their implementation is subject to special conditions that aim at strengthening cross-border cooperation. At the same time, they enjoy far less funding than these traditional programmes, especially if account is also taken of the geographical extent of CIP-eligible areas, which may include zones that are ineligible for ERDF assistance under Objective 1 or 2 because they are not experiencing particular development or conversion difficulties. Given these considerations, there is all the more reason (see paragraph 20) for the Commission to ensure, when examining the Member States' programme proposals, that measures are targeted (see paragraphs 59 to 63).

23. As regards Strand B, the guidelines call for attention to be given to the Community's policy priorities, and above all to the trans-European networks and the territorial development recommendations contained in the European Spatial Development Perspective (ESDP — see glossary). This Strand thus gains a certain degree of specificity, although, since it applies to a vast spatial area and enjoys limited financial resources, choices have to be made concerning the possibilities for intervention.

24. Where Strand C is concerned, the Commission's initial guidelines outline a single general objective, namely, to improve the effectiveness of policies and instruments for regional development and cohesion (see *Table 3*). A second communication published on 15 May 2001 delimited the content of cooperation by identifying five themes for interregional cooperation ⁽²⁾, among them a heading of 'Other subjects'. Since the implementation of Strand C CIPs began, this last theme has attracted the majority of aid applications and agreements, which underlines the fact that, as a whole, this Strand is too broad.

⁽²⁾ 'Activities supported under Objective 1 and 2 of the Structural Funds', 'Interregional cooperation linking public authorities or equivalent bodies involved in other Interreg programmes', 'Interregional cooperation in the field of urban development', 'Interregional cooperation linking regions involved under one or several of the three themes of the regional innovative actions for 2000 to 2006' and 'Other subjects appropriate to interregional cooperation'.

25. In conclusion, the objectives that appear in the Commission guidelines can be described as general. Moreover, the working documents that are made available do not offer sufficient support to project managers setting up suitable operational indicators for assessing how well the objectives have been attained. Eligible measures are therefore heterogeneous and result in a wide disparity of projects. It is in precisely these terms that the Commission's working paper 6 explains the mediocre quality of earlier programme evaluations. Yet one of the key principles for the effectiveness of SF intervention is the concentration of assistance. When implementing CIPs, unless they were selected with a view to setting concrete objectives and restricting the scope of operations, it will be necessary to spread resources very thinly and extremely difficult to measure the progress achieved.

Are the eligible areas clearly defined?

26. When the new guidelines were being prepared, the matter of defining eligible areas was raised in respect of Strand A. The effectiveness of cross-border cooperation starts to decline some 50 to 70 km from the border. In the absence of a more subtle zoning instrument, the areas were once again defined on the basis of the NUTS III nomenclature (see glossary). As a result, some areas extend up to 200 km from the border, and further in certain Member States. Almost all of the Strand A CIPs examined cover eligible areas stretching more than 70 km from the border (Ems-Dollart Region, Alps, Ireland-Wales and Spain-Portugal).

27. This issue does not arise for Strands B and C, which, unlike Strand A, do not cover cooperation between neighbouring regions.

Were the guidelines and methodology documents made available to the Member States at the appropriate time?

28. The Commission first gave thought to the strategy for Interreg III at the end of 1997. A document setting out the basic options was drawn up in March 1998 ⁽¹⁾. The Commission guidelines were not finalised until January/May 2000, or, in the case of Strand C, the early months of 2001. However, given the particular difficulties associated with the preparation of Interreg programmes, the Member States had already set to work. An analogous situation emerged with regard to the various methodological working papers that the Commission prepared specifically for Interreg (see paragraph 21).

29. Owing to the complexity of the Interreg CI, the late availability of the guidelines and working papers contributed to the fact that the CIPs' effective launch was delayed. It may also have resulted in the poor quality of some CIP proposals.

THE COMMISSION'S PROCEDURE FOR EXAMINING CIP PROPOSALS

30. The Commission checks that all CIPs conform to the guidelines. The Court feels that the examination procedure needs to be sufficiently detailed and that the shortcomings that are revealed should lead to improvements in the CIPs. Lastly, it is crucial that the CIPs be adopted on time in order to avoid interrupting the cooperation established by Interreg II and allow utilisation of the available appropriations.

Did examination help to enhance CIP quality?

31. Procedures for the examination of programme proposals have been devised and put in place and consist of two stages. The first stage looks at admissibility and establishes that there has been formal compliance with Community legislation. The second stage focuses on programme quality and serves as a basis for the improvements that will be agreed to programme content in the course of negotiations with the Member States.

32. The Commission services applied a list of criteria for examining CIP proposals during the first stage only. The list in question is fairly general, and the sole purpose of checking was to obtain assurance that certain formal elements were present in the programme proposals. The Court was unable during its audit to source clearly every one of the observations made during the second examination stage and forwarded by the Commission to the Member States. Records did not always include a monitoring document indicating to what extent a response had been made to the requests or observations contained in the letter to the Member States (save in the cases of Ireland-Wales, Alpenrhein-Bodensee-Hochrhein and Ems-Dollart Region and, in part, Western Mediterranean).

33. The procedure for examining CIP proposals did not always result in the desired improvements in CIP quality:

- (a) the concerns that had caused a first programme proposal to be judged inadmissible were not always sufficiently taken into account. In the case of the Spain-Portugal CIP it had been ruled that the JTS was not functioning as required by the guidelines. This matter re-emerged during the Commission's negotiations with the Member States. Although no substantive changes were made, the Commission subsequently adopted the programme proposal;
- (b) notwithstanding the many changes that were made to the CIP proposals, serious failings were not redressed. However, shortcomings concerning strategy and indicators, for example, had been identified as early as the first stage of examination (Alps, Spain-Portugal and Western Mediterranean). In some cases (Spain-Portugal and Western Mediterranean), the Commission services with particular responsibility for regional policy evaluation had even recommended declaring the CIP proposals inadmissible.

⁽¹⁾ 'Trans-European cooperation initiative for balanced development', 6.3.1998, DG XVI/A/1.

34. Given the number of programmes to be examined and the complexity of the examination procedure, improvements to CIP content could have been achieved through a more structured approach based on detailed criteria and aimed at obtaining a transparent, homogeneous evaluation (see paragraphs 51 to 78). These criteria should then have been communicated to the Member States, in one of the working documents drawn up by the Commission, before they embarked on the task of preparing the CIPs (see paragraph 21).

Did the Commission approve the CIPs within the agreed deadlines?

35. The statutory deadlines for the Commission to adopt programme proposals were as follows:

- (a) the Member States were to submit proposals no later than six months after the date of publication of the Commission's Communication in the *Official Journal of the European Communities*, i.e., by 22 November 2000 in the case of Strands A and B and 14 November 2001 in the case of Strand C;
- (b) the Commission was to decide whether to adopt no later than five months after the date of receipt of an admissible proposal, i.e., by 21 April 2001 in the case of Strands A and B and 13 April 2002 in the case of Strand C.

36. The statutory deadlines were exceeded by a very considerable margin. Only 27 of the 66 CIP proposals for Strands A and B were submitted within the agreed deadline. Not one proposal was adopted within the five-month deadline. The period for adoption varied from seven-and-a-half to fourteen-and-a-half months and lasted an average of roughly one year.

37. Analysis of the decision-making process for the eight-programme sample reveals that on average the adoption period breaks down as follows:

- (a) almost one month to declare the programme admissible;
- (b) just under a further three months to submit written observations on the proposal to the Member States;
- (c) eight months to negotiate with the Member States and receive, examine and adopt the amended proposal. The decision-making process *per se*, once the programme has been finalised by agreement with the authorities of the Member States, takes an average of around one month.

38. Finally, once each programme had been approved by the Commission, the monitoring committee for each CIP had three months to prepare and adopt a programme complement. The purpose of this document is to clarify certain aspects of the implementation and monitoring process. The complements for several of the programmes examined were not adopted by the monitoring committee within the agreed deadline (Ireland-Wales and Spain-Portugal). In some cases, the poor quality of the complements meant that the Commission was unable to approve the

wording of these documents before a year or more had passed (Alpenrhein-Bodensee-Hochrhein, Ems-Dollart Region and Western Mediterranean). The programme complements contain a good deal of repetition and placed significant constraints on the preparation process ⁽¹⁾.

39. Delays in programme adoption do not affect the start of the eligibility period of the final beneficiaries' expenditure in the Member States. This period is ruled to start on the date on which the Commission receives an admissible CIP proposal. None the less, these delays interrupt the cooperation process. The reason is that beneficiaries prefer to wait for their applications to be approved before starting to implement their projects, and this is only possible after the Commission has adopted the programme and other elements, such as the project selection criteria, have been agreed and put in place. These delays, combined with the belated publication of the guidelines, were in part responsible for the fact that the commitment appropriations for 2000 were re-allocated and the payment appropriations made available in 2001, 2002 and 2003 were under-utilised (see Table 2).

COOPERATION DURING PREPARATION AND IMPLEMENTATION

40. The guidelines state that the preparation and implementation of CIPs must be carried out on a cooperative basis, the aim being in particular to promote the emergence of a common strategy for the eligible area and thereby enhance the quality of beneficiaries' projects.

Did the preparation of CIPs include a process of consultation?

41. The guidelines encourage the private sector, universities and non-governmental organisations to participate as early as the preparation stage. These sectors were indeed involved from the earliest reflections on the Strand A CIPs, albeit belatedly in one case (Spain-Portugal). Consultation on the Strand B CIPs involving a large number of Member States was entered into only partially or not at all because of the already very complex nature of the preparation process. Where there was consultation, the results were not encouraging. In the case of Strand C, the CIPs were jointly prepared by the Commission and the competent secretariats.

42. Meanwhile, since the 'bottom-up' design process is not followed by choices aimed at identifying priorities for action, it delivers very broad intervention programmes that are characterised by heterogeneous measures and result in the dilution of the available resources (see paragraphs 59 to 63).

⁽¹⁾ See Special Report No 7/2003 on the implementation of assistance programming for the period 2000 to 2006 within the framework of the Structural Funds, paragraphs 18 to 24 (OJ C 174, 23.7.2003).

Do the Member States cooperate on the implementation of CIPs?

43. The main changes affecting the third generation of Interreg programmes (see paragraph 7) include the establishment of shared managing authorities, paying authorities, monitoring committees, financial plans and bank accounts into which ERDF aid is to be paid, as well as the constitution of JTSs and steering committees.

44. A single managing authority and a single paying authority were designated for each programme. A steering committee was set up comprising representatives from each country concerned. Attempts to establish EEIGs as agents for the implementation of Interreg programmes were unsuccessful (Alps and north-west Europe), despite Commission encouragement (see paragraph 16). However, legal entities of this description could provide representation for the Member States involved in a CIP, a situation which is not possible when regional governments act as the single authorities, as in the case of the programmes that were examined.

45. The different models used for the constitution of JTSs were sometimes far removed from the spirit of the guidelines, which is also to promote cooperation between the bodies implementing CIPs. However, the Commission accepted the different models because it was concerned above all that the programmes be adopted without further exacerbating the delays:

- (a) the most successful model is that of a JTS set up in a single location and consisting of representatives of each of the Member States concerned, usually with offices in some or all of the Member States. In the best case examined (Ems-Dollart Region), the JTS is part of an organisation for trans-European cooperation that was set up by the Member States. In another case (north-west Europe), it is part of an undertaking unconnected with the implementation of the CIP but nonetheless retains a trans-European character. In one final case (Alps), while legally a part of the managing authority, it is located separately and has representatives from the different regions of the Member States;
- (b) a model that reflects the spirit of the guidelines less well is that of a JTS that is physically part of the managing authority but has no representatives from the other Member States, although these are approached for consultation (Ireland-Wales and Alpenrhein-Bodensee-Hochrhein);
- (c) a final model (Spain-Portugal) is even further removed from the spirit of the guidelines. This model consists of no more than offices under the aegis of the regional authorities on both sides of the border. They are often situated outside the eligible area, which itself extends a good distance from the border. This arrangement deprives the cross-border region of a base from which to raise awareness of the CIP.

46. Each of the programmes examined operates a single bank account for the receipt of Community funds.

47. Each of the CIPs examined also has a single financial plan, i.e. a plan that does not indicate the share of each Member State. On occasion, however, a breakdown of the plan by Member State is attached to the programme complement, the content of which has been verified by the Commission (Alps), or the CIP indicates each Member State's share in ERDF aid (Spain-Portugal and Western Mediterranean). In one instance, moreover (Spain-Portugal), promotional material on the CIP refers exclusively to the share of one of the two Member States.

48. None the less, an attentive eye is generally kept on the utilisation of the appropriations that each Member State brings to the CIP financial plan. Indeed, the single financial plan for each CIP is drawn up on the basis of, on the one hand, the distribution of ERDF resources by Member State and type of intervention ⁽¹⁾ and, on the other hand, the way each Member State distributes these resources among the Interreg programmes, according to its own priorities.

49. Finally, the guidelines recommend that aid contracts be concluded with a single beneficiary having the status of project leader, which must then agree its rights and obligations vis-à-vis its trans-European partners in the project in question. This principle was observed in each of the programmes examined, the one exception being where each aid proposal was signed by all the project partners (Ireland-Wales).

50. There remain some obstacles to cooperation between all the partners involved in the CIPs that were examined. These obstacles relate to legal questions and the allocation to the CI of ERDF funding. None the less, the Interreg III guidelines made it possible to strengthen cooperation between all partners, although the level of commitment to cooperation varies from one CIP to another.

CONSISTENCY BETWEEN THE INITIAL ANALYSIS AND CHOICE OF MEASURES AND THE ADDED VALUE OF THE FIRST PROJECTS TO BE ADOPTED

51. The guidelines provide that the process of planning the CIPs should be analogous to that set out in the basic instrument establishing the Structural Funds. This process seeks to base the choice of measures for which beneficiaries' projects are eligible on an analysis of the regional situation. Both analysis and planning must take account of the opinion of an assessor appointed by the Member States. The success of the CI is largely dependent on the consistency of this process, namely, on the appropriateness of the measures to the problems diagnosed. It is not enough to qualify as trans-European: projects must also contribute to the resolution of border-related problems.

⁽¹⁾ This distribution was agreed at the meeting of Heads of State and Government in Berlin on 24 and 25 March 1999.

Is the ex ante evaluation used in the drafting of programmes?

52. The *ex ante* assessors often made a significant contribution to the preparation and drafting of CIPs. The documents produced under the heading 'ex ante evaluation' are composed, as a rule, of texts which have already been incorporated in their entirety into the CIPs, and of notes explaining the content of those texts. Consequently, the *ex ante* assessors usually did not comment critically on the programme proposals that were submitted to the Commission, and to which they had contributed. However, in one case (Europe), a number of fundamental criticisms were formulated, observing, for example, that the CIP's objective was too broad and that it would be beneficial to define a single, clear and unambiguous objective. Yet it was where the assessor was not involved in preparation of the CIP (Ireland-Wales) that he raised the most important questions: the usefulness of multiple analyses, the weakness of the link between the analysis and the definition of priorities and measures, and the poor identification of border-related problems and potential. The lack of objective criticism during the drafting stage of CIP proposals, the general nature of the CI objectives, the lack of specific information on each eligible area (see paragraphs 17 to 25) and the failure to establish detailed qualitative criteria in advance (see paragraph 34) all combined to form an obstacle to the preparation of quality CIPs.

Were the results of the previous programming period taken into account?

53. When the Interreg III programmes were being prepared, only the mid-term evaluations for the previous period were available. The content of these evaluations, in terms of recommendations for the new period, varies greatly. The most significant aspects noted by the assessors, which, it seems, were not given sufficient consideration, are the following:

- (a) the lack of clarity of the strategy and priorities laid down for the programmes (see paragraphs 58 to 63);
- (b) the need to define indicators which would enable a programme's impact to be measured; in spite of efforts in this respect (see paragraph 21), the resulting proposals remain inadequate (see paragraphs 73 to 77).

54. Strand C did not exist under Interreg II. Interregional cooperation projects were, however, managed directly by the Commission in the form of innovative actions in the context of the SFs. No evaluation of the latter was available to the Commission.

Was there integrated analysis of the regional situations?

55. With one exception (Ireland-Wales), all of the programmes examined included a statistically-based integrated regional description. The Strand B programmes examined offer the most complete analysis, a situation that can undoubtedly be explained

by the higher number of Member States participating in each programme. There are numerous difficulties in obtaining harmonised and up-to-date statistics: the absence of statistics in one or other of the Member States, statistics submitted on different dates or according to different criteria, and poor data reliability owing to the small geographical divisions encountered at Strand A level.

56. These analyses are of little value as they fail to perform two necessary functions:

- (a) they were not followed by targeted choices generating strategies for the regions concerned, on the basis of which priorities and measures for the CIPs should have been defined (see paragraphs 58 to 63);
- (b) the statistics on which they are based are of no use in defining regional points of departure against which the indicators are to measure the impact of the CIPs (see paragraphs 73 to 77). This detracts from the relevance of impact assessment.

57. As regards Strand C, the failure of the Commission guidelines to provide a clear identification of needs (see paragraph 24) is echoed in the CIPs under this strand, which refer to no analysis in any form. It is therefore difficult to specify the objectives of these programmes and determine a method for measuring the progress to be achieved.

Can the problems addressed be attributed to the existence of a border?

58. The descriptions present development-related problems, in the same way as traditional ERDF intervention programmes, but do not usually focus on the problems created by the existence of borders, such as missing links ⁽¹⁾. However:

- (a) in some areas, borders appear to impede efforts to attain development objectives. This is true in particular of environmental problems on one side of a border that also impact on the opposite side (water quality, fire prevention, reafforestation, joint action in protected zones, natural hazards, etc.);
- (b) some programmes include an assessment of cross-border cooperation and of the advantages which this can bring in specific sectors, such as the labour market, transport and communications, science and health (Alpenrhein-Bodensee-Hochrhein and Ems-Dollart Region). Another programme (Spain-Portugal) highlights the advantage of cooperation in certain fields, in the cross-border area, such as railway connections, spatial management, rivers and water resources;

⁽¹⁾ This expression is used on page 7 of the Commission's 'Working paper 6 (5 May 2000) — ex ante evaluation and indicators for Interreg (Strand A)'. The missing link refers to the barrier effect of a border. As examples, the Commission quotes the lack of border crossings, river pollution and lack of mutual recognition of qualifications.

(c) one Strand B programme in particular (Europe) demonstrates the transnational significance of a series of new themes linked to spatial development (ESDP). These include the development and complementarity of alternative modes of transport, coordination in the management of regional rivers, reforestation, measures to increase complementarity between urban areas, the development of transport from the region's peripheral areas and the coordination of measures to prevent pollution of the English Channel.

Are programme priorities synonymous with identified needs?

59. Most of the Strand A programmes were drawn up using the 'bottom-up' approach advocated in the Commission guidelines: potential partners in a CI were invited to propose areas in which projects could be implemented. These proposals were used to determine CIP measures and, subsequently, priorities, without any choices being made. There was rather a tendency to establish very broad programmes so that as many partners as possible could then be involved in implementation. Sometimes the Member States concerned agreed on measures before analysing the regional situation (Ems-Dollart Region and Spain-Portugal).

60. This often results in very broad programmes composed of artificial groupings of measures and in the formulation of abstract priorities and objectives. It is impossible to measure whether such objectives have been achieved. Similar criticisms were voiced of the evaluations of previous periods and, here, by certain *ex ante* assessors (see paragraphs 52 and 53). For example all the Strand A programmes examined included measures in the economic, social, rural development, human resources, environment, cultural heritage and tourism sectors. This explains why these CIPs are no different from traditional intervention programmes, save as regards the specific implementing rules attached to the Initiative (see paragraphs 43 to 49). In one case where the Commission found the measures to be too broad in scope (Alpenrhein-Bodensee-Hochrhein), one priority was cancelled, only for the measures under this priority to be transferred to the remaining priorities.

61. Under Strand B, measures are more specific because, in the two cases examined, a connection exists with the ESDP. Nevertheless, for the sake of agreement between the different Member States, the various ESDP priorities⁽¹⁾ were retained and supplemented with others. Given that the geographical area of the programme is greater than that of the largest EU Member States, none of the measures has much significance.

⁽¹⁾ The ESDP priorities concern 'polycentric spatial development and a new urban-rural relationship', 'parity of access to infrastructure and knowledge' and 'wise management of the natural and cultural heritage'.

62. The Strand C programmes, which contain no needs analysis and no breakdown of the general objective assigned to the Strand by the guidelines, are not broken down by priority and measure.

63. In all the Strand A and B programmes examined, therefore, there is a discrepancy between the analysis of the region eligible for Interreg and the definition of a strategy and priorities for the programme. The key programme measures were drawn up on the basis of other concerns which the programmes do not make explicit, and there is a very broad content base. By combining the 'top-down' and 'bottom-up' approaches, it should be possible to take account both of the needs emerging from the preliminary analyses and of those expressed by local partners. Although the sharing of the implementing bodies and financial elements is conducive to cooperation (see paragraph 50), it has not resulted in a targeted strategy that might resolve border-related problems.

Is there complementarity between the Interreg III CIPs and traditional ERDF interventions?

64. The Strand A CIPs examined sometimes include arguments that seek to demonstrate complementarity with traditional intervention programmes. In fact, this complementarity is simply the consequence of the very broad scope of the CIPs, which comprise many measures resembling those implemented through traditional intervention programmes, the only difference in general being in the implementing rules⁽²⁾ (see paragraphs 22 to 25, 59 and 60).

65. The audit did not perform the same comparison in respect of Strands B and C, since the regions concerned are generally eligible under scores of different Objective 1 and 2 programmes. Any emphasis on complementarity is a formal response to legislative requirements (Europe).

Do the first projects adopted qualify as trans-European and do they offer added value?

66. In every one of the programmes examined, the definition of a trans-European project given in the Commission guidelines (see paragraphs 13 and 14) is put into practice by means of eligibility and selection criteria to which a rating scale is applied (save in the case of the Ems-Dollart Region CIP). Such criteria might be, for example, that there is an impact on both sides of the border, the intensity of cooperation within the partnership or the setting up of cross-border networks. Other criteria are added for

⁽²⁾ For a given eligible region, it is difficult to compare the financial resources made available under Interreg III with those made available under Objective 1 and Objective 2 Intervention programmes, given that the eligible regions are not exactly the same, since regions eligible under Interreg do not necessarily have to be regions eligible under Objectives 1 and 2. It may, however, be estimated that, for Strand A Interreg programmes, the ratio of financial resources varies between 1:20 and 1:50.

the assessment of overall project quality and might include a measure's contribution towards the objectives, whether or not it is innovative, the sustainability of its results and the partners' capacity to see it through to its conclusion. A total score for each project would enable it to be compared with other projects but is not always calculated (Alps, Spain-Portugal, Alpenrhein-Bodensee-Hochrhein and Northern Zone). Furthermore, none of the programmes examined defines a minimum quality threshold for projects to be submitted for consideration or approved, however useful such a threshold would be, given that concerns about the utilisation of appropriations may lead to the adoption of projects of inferior quality.

67. Most of the projects examined ⁽¹⁾ can be termed trans-European, having been prepared by a number of Member States which were to implement them jointly. Cooperation is a salient feature. However, some projects essentially consist of bringing parallel subprojects on both sides of the border under a single roof and have relatively little trans-European interest (Strand A: work on both sides of a border to develop river tourism infrastructure and museums and renovate two historic buildings, even if there are plans to follow up by imparting a cross-border identity to these projects; the resurfacing of two roads on one side of the border while a new road is built on the other; construction of part of a technology park on one side and a business park on the other. Strand B: a network formed by eight partners from four Member States with the aim of setting up an Internet portal for each region around the same basic design).

68. Projects do not always make a significant contribution to the resolution of border-related problems because some of them are limited almost exclusively to the exchange of experience and are not sufficiently focused on practical action (Strand A: the transfer of medical expertise, the exchange of experience between growers and the establishment of a network of organisations offering business support by means of joint seminars. Strand B: the exchange of experience on the prevention of coastal erosion).

69. It appears from the first projects to have been adopted that the definition of trans-European projects has been respected and that many projects entail the cooperation of all the partners. Nonetheless, some offer limited added value because they do not focus on practical action or could have been implemented in other regions. Although the systems of selection criteria could be improved, this weakness is largely due to the imprecise nature of the stated objectives and the broad scope of the measures within each CIP (see paragraphs 59 to 63).

⁽¹⁾ The audit focused on a sample of projects selected among the first to have been adopted by the authorities responsible for each CIP chosen for inspection. No statements of expenditure had yet been made for these projects.

THE FEASIBILITY OF MEASURING PROGRESS EX POST

70. The basic instrument establishing the Structural Funds provides that interventions shall be evaluated, especially *ex post*, in order to assess their impact. The results of evaluation should be used to improve the quality of interventions in subsequent periods.

Are the programme objectives well structured?

71. As is shown by the process of defining priorities and measures for the CIPs of Strands A and B previously examined (see paragraphs 55 to 63), it was not possible to set objectives on the basis of the regional situational analysis or any strategic choices made. Most programmes have one or two very general objectives and a few sub-objectives, although a greater number of sub-objectives were set in some cases (15 for Spain-Portugal, 21 for Europe and 10 for the Western Mediterranean — see Table 5). The absence of one main, clear and concrete objective broken down into its most important sub-objectives betokens difficulties in evaluating impact.

72. The Strand C CIPs were designed in response to a single Commission objective, namely, to improve the effectiveness of policies and instruments for regional development and cohesion. No sub-objectives were set.

Are the objectives measurable and quantified?

73. The Commission insisted that all programmes should include indicators. The only exception concerns Strand C programmes: here it was decided not to establish indicators until such time as a sufficient number of projects had been adopted, so as to give a clearer understanding of the content of the actions carried out. Indicators were therefore identified. However, every one of the programmes examined suffers from an unclear or very incomplete assessment of impact, that is, the indicators measure just one aspect of the stated objectives or, where they address a priority, deal with only a few of the measures under that priority (see Table 5). What is more, in some programmes each project partner also has the option of determining its own indicators (Ems-Dollart Region, Alps and Alpenrhein-Bodensee-Hochrhein).

74. Some of the Strand A programmes have indicators which are independent of the stated objectives and known as 'cross-border context' ⁽²⁾ and 'cooperation intensity' ⁽³⁾ indicators (Alps, Alpenrhein-Bodensee-Hochrhein and Ems-Dollart Region; the Spain-Portugal CIP provides for such indicators but has not developed them). Although these vary from one programme to the next, they are very general in nature and of limited relevance to

⁽²⁾ For example, the number of cross-border workers, the number of firms engaged in cross-border activity and the percentage of the population that can speak the language of the neighbouring country.

⁽³⁾ For example, the number of shared information systems and cross-border networks.

the programme concerned. They could, however, have had some relevance for Strand A as a whole if they had been developed and applied as standard to all the CIPs in this strand.

75. Another weakness is the absence of a definition of the information sources or the procedure that will be used when calculating the indicators. It is often impossible to establish the relationship between indicators from the lowest to the highest levels, i.e., from project level to that of global CIP objectives.

76. Lastly, despite these shortcomings, there were attempts to quantify the objectives for a number of programmes, either globally or by reference to priorities or measures. However, the working documents that were necessary to establish how quantification was carried out were unavailable. Yet if these quantified objectives are to have any relevance, it must be possible to compare them ex post with what has been achieved so that conclusions can be drawn. If the context in which targets were set cannot be recreated, there will be little basis on which to draw conclusions from this comparison.

77. There is a tendency to put off the business of measuring the degree to which objectives have been achieved. The general nature of the objectives defined for each CIP and the diversity of measures hamper the identification of relevant and workable indicators. However, it is important that the situation be clarified and a selection made with the aim of retaining only those indicators that are essential for monitoring the progress of the CIP, making decisions or measuring programme impact.

78. Just two of the eight programmes examined (Alpenrhein-Bodensee-Hochrhein and Ems-Dollart Region) employed a computerised project management system and a database for compiling information to be used when setting indicators. Systems had been developed separately in different regions of the Member States, but this can only mean higher costs and delays in the implementation of programme monitoring.

CONCLUSION AND RECOMMENDATIONS

Conclusion

79. Compared with the shortcomings noted during the Court's audit of Interreg I, there have been improvements to the trans-European nature of projects and cooperation in the implementation of CIPs (see paragraph 7). However, there are still serious delays and, despite some efforts, a satisfactory solution is still to be found for evaluating the CI's impact, owing in part to the imprecision and very broad scope of the objectives set in the guidelines and at CIP level.

The guidelines focus on operational procedures but were made available too late and contain over-generalised objectives

80. With a view to enhancing cooperation, the Commission guidelines contain a definition of the trans-European projects that are to be implemented in every CIP (see paragraphs 13 and 14) and establish stricter requirements concerning implementation. However, not enough thought was given to the matter of implementing cooperation via bodies that are genuinely shared, such as EEIGs. Bodies of this sort are able to represent the various regions concerned and take on the task of implementation (see paragraphs 15 and 16).

81. No analysis was available to the Commission of the specific situation of eligible areas or the progress that had been made towards achieving the CI objectives or the more specific objectives of CIPs. The new guidelines do not contain objectives that are targeted and measurable. Instead, they outline a possible field of action in which the regions of the Member States are encouraged to work together on issues which it is up to them to define jointly. If no choices setting concrete objectives at CIP level are made, implementation of the CI will lead to the dilution of resources. The Commission has not established common indicators which would allow the progress achieved through implementation of the Initiative to be measured globally at Community level (see paragraphs 17 to 25).

82. As regards Strand A, no solution has been found, using the present characteristics of the NUTS nomenclature, to the problem of the existence, in a number of Member States, of areas which are too large to allow effective cooperation (see paragraph 26).

83. The Commission guidelines and the working papers produced to help the Member States with programme planning were published late, after the Member States had started work on preparing their CIP proposals. This delayed the implementation of the CIPs and may have resulted in programmes of a mediocre quality (see paragraphs 28 and 29).

The procedure for examining CIP proposals must be improved

84. The criteria for examining the quality of programme proposals submitted by the Member States were lacking in detail and inadequately prepared. The procedure for examining CIP proposals did not always result in the desired improvements (see paragraphs 31 to 33(a)).

85. It took much longer than planned to examine programme proposals. Delays of this nature limit the time available for developing projects and mean a more or less lengthy interruption in the process of cooperation between eligible regions in the Member States. As a result, commitment appropriations were reallocated in 2000 and payment appropriations were under-utilised throughout the first four years of the period (see paragraphs 35 to 39).

Preparation and the start of implementation are generally characterised by cooperation

86. Most programmes benefited from a preliminary process of consultation with potential project partners. However, as no choices ensued, this process led to CIPs that were poorly targeted (see paragraphs 41 and 42).

87. CIPs were constructed around shared implementing bodies and financial elements. This effectively strengthened cooperation between all the partners. However, there is still room for improvement: on the one hand, the absence of bodies that were genuinely shared to represent the various Member States conferred an artificial role on the managing authorities (see paragraphs 43 and 44); on the other hand, the spirit of cooperation that was supposed to characterise the constitution of JTSs was not always in evidence, and in several cases the principle of a single financial plan was not fully respected because the resources allocated to the SFs and, more specifically, to the CIs were assigned by Member States (see paragraphs 45 to 50).

Analyses are generally integrated but of little use; no connection exists between analyses and the definition of programme measures; the added value of projects needs to be enhanced

88. Since the *ex ante* assessors usually contributed to the preparation and drafting of the CIPs, they are unable to provide the wholly independent critical opinion that is required of them (see paragraph 52).

89. The analyses which are supposed to underlie any decisions concerning CIP priorities and measures take time and a good deal of effort necessitating the involvement of experts. Although they usually cover the eligible region as a whole, the analyses are of little use, in particular because the information that they incorporate does not establish a regional point of departure against which the indicators are to measure CIP impact. Where the results of these analyses are contradicted by the 'bottom-up' consultation process, the programmes should explain why (see paragraphs 55 to 57).

90. Moreover, the problems identified are of a general nature and are not specifically caused by the existence of borders, although for some CIPs measures (on the environment and territorial concerns linked to the ESDP, etc.) are justified because the borders appear *per se* to constitute an obstacle (see paragraph 58).

91. Finally, the causal links between these analyses and the CIP priorities are unclear. Both the stated objectives and the priorities and measures derive from other concerns than that of targeting actions to resolve specific border-related problems. Programme measures are extremely varied, with the effect that resources are spread very thinly and their impact is diluted. Although the sharing of implementing bodies is conducive to cooperation, it has not resulted in a targeted strategy (see paragraphs 59 to 63).

92. Strand C programmes are the least well defined, in that they offer vague specific guidelines without the *ex ante* evaluation that would have served to clarify needs. That it was impossible to define indicators also demonstrates that the Commission was not entirely prepared for the introduction of this Strand (see paragraphs 24, 57, 62 and 72).

93. Any complementarity between Strand A CIPs and traditional interventions is essentially due to the broad scope of Interreg programmes. There is no point in assessing the complementarity of CIPs unless they are more tightly focused (see paragraphs 64 and 65).

94. Most of the first projects adopted were prepared and will be implemented through cooperation. However, projects do not always contribute significantly to the resolution of border-related problems, as some are limited to the exchange of experience or exist irrespective of the proximity of a border. In the Court's view there is too little added value, mainly by virtue of the imprecise nature of the stated objectives and the broad scope of the measures for each CIP (see paragraphs 66 to 69).

The available tools are inadequate to the task of measuring the impact of CIPs in relation to their objectives

95. The CIPs contain objectives at global level and at that of priorities and measures. These objectives do not result from choices made in order to resolve specific border-related problems, and they were not further broken down (see paragraphs 71 and 72).

96. The many indicators set for the CIPs embody the objectives inadequately or not at all. They exist in response to an obligation rather than to a need to measure the progress achieved against the stated objectives. Moreover, some indicators need to be clarified and the sources of information need to be defined more precisely. Although efforts were made to quantify some indicators, these bear no relation to the initial analysis and concern largely irrelevant objectives. In most cases, the computer application that should enable the statistical data necessary for the indicators to be collected is still non-existent (see paragraphs 73 to 78).

Recommendations

97. For the current period:

- (a) the system of indicators adopted for each CIP should be improved and simplified in order to give a more valid measure of impact, also bearing in mind the weaknesses that were highlighted;
- (b) the selection criteria for new projects that might benefit from the appropriations that have yet to be committed for each CIP should be strengthened so as to improve the response to specific border-related problems.

98. If the Initiative is renewed after 2006:
- (a) a study should be launched to determine what problems exist in connection with border areas and in which areas Interreg could offer added value as compared with traditional Objective 1 and 2 interventions;
 - (b) for each Interreg strand, the Commission should use the information that it has received concerning the situation in eligible areas to draw up priorities and establish concrete objectives. It should then propose a common system of indicators for each Strand with which to monitor progress;
 - (c) there is a need for detailed criteria for the assessment of CIP proposals. These would make it possible to adopt a proactive approach vis-à-vis the Member States in order to improve, from the outset, the quality of proposals and the relevance of the information they contain. With clearer CI objectives, projects could then be expected to offer greater added value;
 - (d) the analyses requested for each CIP should serve as a basis for setting objectives and measuring progress;
 - (e) the guidelines, working papers and other information intended as a tool for the preparation of CIP proposals should be made available before preparation begins;
 - (f) the role of *ex ante* assessors and the content of their evaluations should be clarified, as it is not always easy to reconcile the task of helping to draft CIP proposals with that of making a critical examination of programme content;
 - (g) the usefulness of the information in the programme complement should be considered with a view to reducing content;
 - (h) the financial resources allocated to the Initiative should be held in common rather than assigned by Member State;
 - (i) the work begun on legal instruments for cooperation should continue so that they can be applied to Interreg.
99. The Interreg CI promotes cooperation between partners in different Member States and contributes to the opening of borders. At all stages of its implementation Interreg brings together a number of Member States and regions. It will benefit, during the rest of the 2000 to 2006 programming period, from efforts with regard to indicators, the measurement of impact and selection criteria. Looking ahead to the next period, should the Commission decide to renew the Initiative after 2006, there should also be efforts focusing mainly on programme planning and the conditions of implementation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 1 July 2004.

For the Court of Auditors
Juan Manuel FABRA VALLÉS
President

Table 1

From the basic Community Structural Funds legislation to projects receiving ERDF assistance

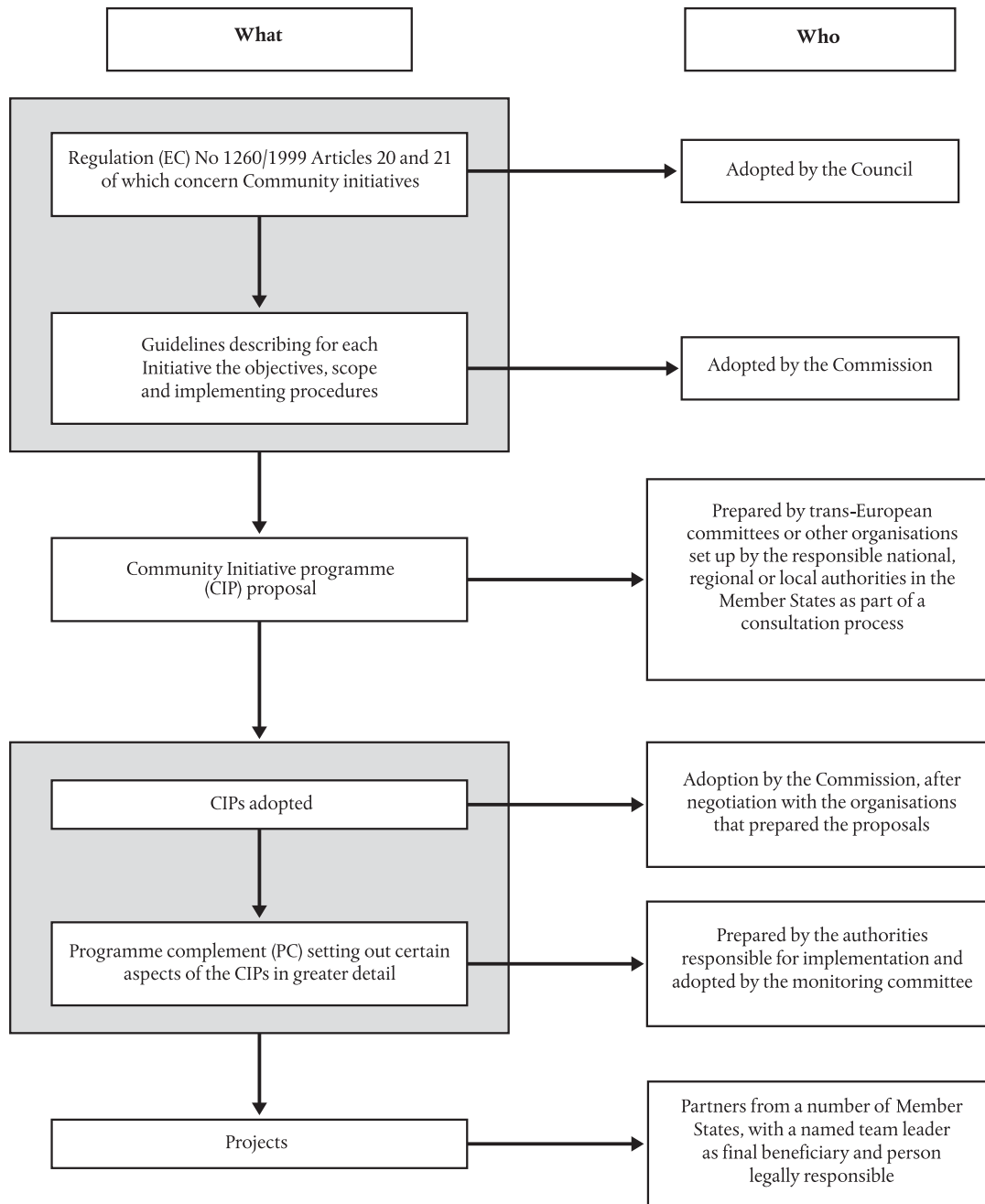


Table 2
Implementation of Interreg III budget

	(million euro)			
	2000	2001	2002	2003 (provisional)
Commitments				
Initial appropriations	818,0	777,0	762,9	688,9
– reallocations	– 818,0 ⁽¹⁾		+ 147,3	+ 188,0
– transfers		– 73,3 ⁽²⁾	– 46,7 ⁽²⁾	
+ appropriations carried over			+ 109,4 ⁽³⁾	
= appropriations available (a)		703,7	972,8	876,9
Implementation (b)		594,3	972,8	876,9
Appropriations to be carried over (a)–(b)		109,4 ⁽³⁾	0,0	0,0
Rate of implementation (b)/(a)	0 %	84 %	100 % ⁽⁴⁾	100 % ⁽⁴⁾
Payments				
Initial appropriations	139,0	223,6	370,0	563,3
– transfers		– 22,7 ⁽⁵⁾		– 370,0 ⁽⁵⁾
= appropriations available (a)		200,9	370,0	193,3
Implementation (b)		82,9	267,5	182,2
Appropriations cancelled (a)–(b)	139,0	118,0 ⁽⁵⁾	102,5 ⁽⁵⁾	11,1 ⁽⁵⁾
Rate of implementation (b)/(a)	0 %	41 % ⁽⁵⁾	72 % ⁽⁵⁾	94 % ⁽⁵⁾

⁽¹⁾ Reallocation of the 2000 instalment to the 2002 to 2006 instalments as no Interreg CIP was adopted in 2000.

⁽²⁾ Transfer to 'innovative actions' following delays in the adoption of a number of CIPs and delays on the part of some Member States. In 2001: Greece-Albania (Strand A), Greece-FYROM (Strand A), Italy-Albania (Strand A), Italy-Adriatic (Strand A), Caribbean (Strand B), Réunion (Strand B) and South Zone (Strand C). In 2002: Greece-Italy (Strand A), Greece-Turkey (Strand A), Archimed (Strand B) and Western Mediterranean (Strand B).

⁽³⁾ Appropriations carried over from 2001 to 2002 following delays in the adoption of a number of CIPs: Ireland-Northern Ireland (Strand A), Greece-Cyprus (Strand A), Spain-Atlantic (Strand B), North-West Europe (Strand B) and West Zone (Strand C).

⁽⁴⁾ Rate of 100 %, taking into account the mechanism for automatic commitment of annual instalments on 30 April each year (Article 31 of Council Regulation (EC) No 1260/1999).

⁽⁵⁾ Size of transfers of payment appropriations and cancelled appropriations, as well as low rates of implementation. This position is due to the late adoption of the CIPs by the Commission and the time required afterwards for selecting and launching the first projects (see paragraphs 35 to 39). Around 70 % of the amounts paid in 2001, 2002 and 2003 corresponds to the payment of automatic advance payments of 7 % of the ERDF contribution to the CIPs that were adopted.

NB: see the Court's Annual Report concerning the 2001 financial year, paragraphs 3.7, 3.8 and 3.34 (OJ C 295, 28.11.2002).

Source: DG REGIO and revenue and expenditure accounts

Table 3
Main characteristics of the three strands of the Interreg III Community Initiative

	Objective	Eligible areas	Priority themes	Resources
Strand A: Cross-border cooperation	Between neighbouring border regions, to develop cross-border economic and social centres through joint strategies for sustainable territorial development.	Areas along the internal and external land borders of the Community and certain maritime areas, as listed in the Annex to the Commission guidelines; adjoining areas may also be eligible, subject to certain conditions. See Map 1.	Listed in the Annex to the guidelines, but the list is not restrictive (urban, rural and coastal development; SMEs; employment initiatives; labour market and social inclusion; sharing human resources and facilities; environment, sources of energy; transport, communications; legal and administrative cooperation; human and institutional potential, etc.).	At least 50 % of each Member State's Interreg allocation, i.e. 3 539,2 million euro at 2003 prices. This strand comprises 53 CIPs.
Strand B: Transnational cooperation	<p>Examples of projects:</p> <ul style="list-style-type: none"> introduction and promotion of a day pass for use on all forms of public transport in a cross-border area, public measures to exploit the potential of a cross-border tourist region (training for guides, promotions, reservation system). <p>To promote a higher level of territorial integration across large associations of European regions, with a view to achieving sustainable, harmonious and balanced development in the Community and better territorial integration with the candidate countries and other neighbouring countries.</p> <p>Examples of projects:</p> <ul style="list-style-type: none"> integrated actions carried out by 14 partners from four Member States with the aim of promoting existing high-speed rail networks (dedicated points of sale, touring exhibitions and events, surveys of passenger needs and passenger satisfaction, publications, etc.), between partners in three Member States, experimentation and modelling in a region of agricultural, forestry and environmental measures to combat soil erosion, run-off of surface water and water retention. Projection for two other regions and public awareness campaigns, particularly with a view to inclusion in land utilisation plans. 	Large geographical areas, as defined in the guidelines, grouping several European regions or entire Member States. See Map 2.	Listed in the Annex to the guidelines, but the list is not restrictive (transnational spatial development strategies; promotion of efficient and sustainable transport and access to the information society; promotion of the environment, cultural heritage and natural resources; promotion of integrated cooperation between maritime regions and insular regions; promotion of cooperation between ultraperipheral regions).	At least 14 % of each Member State's Interreg allocation, i.e. 1 313,6 million euro at 2003 prices. This strand comprises 13 CIPs.
Strand C: Interregional cooperation	To improve the effectiveness of policies and instruments for regional development and cohesion through partnership networks.	Throughout the territory of the Community, between partners in non-neighbouring regions of different Member States. See Map 3.	Five topics relating to interregional cooperation (activities relating to Objective 1 or Objective 2, Interreg programmes, urban development, innovative regional actions and, generally, any topic concerning interregional cooperation).	6 % of each Member State's Interreg allocation, i.e. 307,5 million euro at 2003 prices. This strand comprises four CIPs.
	<p>Example of project:</p> <ul style="list-style-type: none"> creation of a network of 19 partners in 13 countries for management of Structural Fund programmes with the aim of exchanging information and experience in the rural development sector (conferences, seminars, addressed to the new Member States in particular). 			

Table 4

Programmes examined as part of the audit

CIP	Type – ERDF budget	Specific context	Surface area of eligible area (in 1 000 km²)
Ems-Dollart Region (D and NL)	Strand A — 35,4 million euro	Smaller programme	19
Alps (F and I)	Strand A — 63,3 million euro	Mountainous region	45
Ireland-Wales (IRL and UK)	Strand A — 47,6 million euro	Maritime region	27
Spain-Portugal (E and P)	Strand A — 806,9 million euro Two subprogrammes adopted with an ERDF budget of around 330,2 million euro	Largest programme	137
Alpenrhein-Bodensee-Hochrhein (A, D, CH and LI)	Strand A — 17,5 million euro	Smaller programme	27
North-West Europe (NWE) (B, D, F, IRL, L, NL, UK)	Strand B — 329,7 million euro	Transnational programme	787
Western Mediterranean (MEDOCC) (E, F, I, P, UK)	Strand B — 103,8 million euro	Transnational programme	545
North zone (ZN) (DK, D, S, SF)	Strand C — 32,8 million euro	Interregional programme	not relevant ⁽¹⁾

⁽¹⁾ The territory of the Union is divided into four parts, each covered by a CIP in Strand C. If the lead manager for a project is resident in the eligible area of the CIP, all the project expenditure is booked to that CIP, even though the other partners may be resident outside that eligible area. The surface area of the eligible area is thus not a relevant data item.

Table 5

Examples of indicators designed to measure the overall impact ⁽¹⁾ or results of programmes

The table comprises, for the eight CIPs audited, examples of the indicators that are deemed to measure their impact or results, overall and/or at the level of sub-objectives. Result indicators also exist at lower CIP levels. While they will provide additional information, as mentioned in paragraph 75 there is no indication how they are to be consolidated at higher levels.

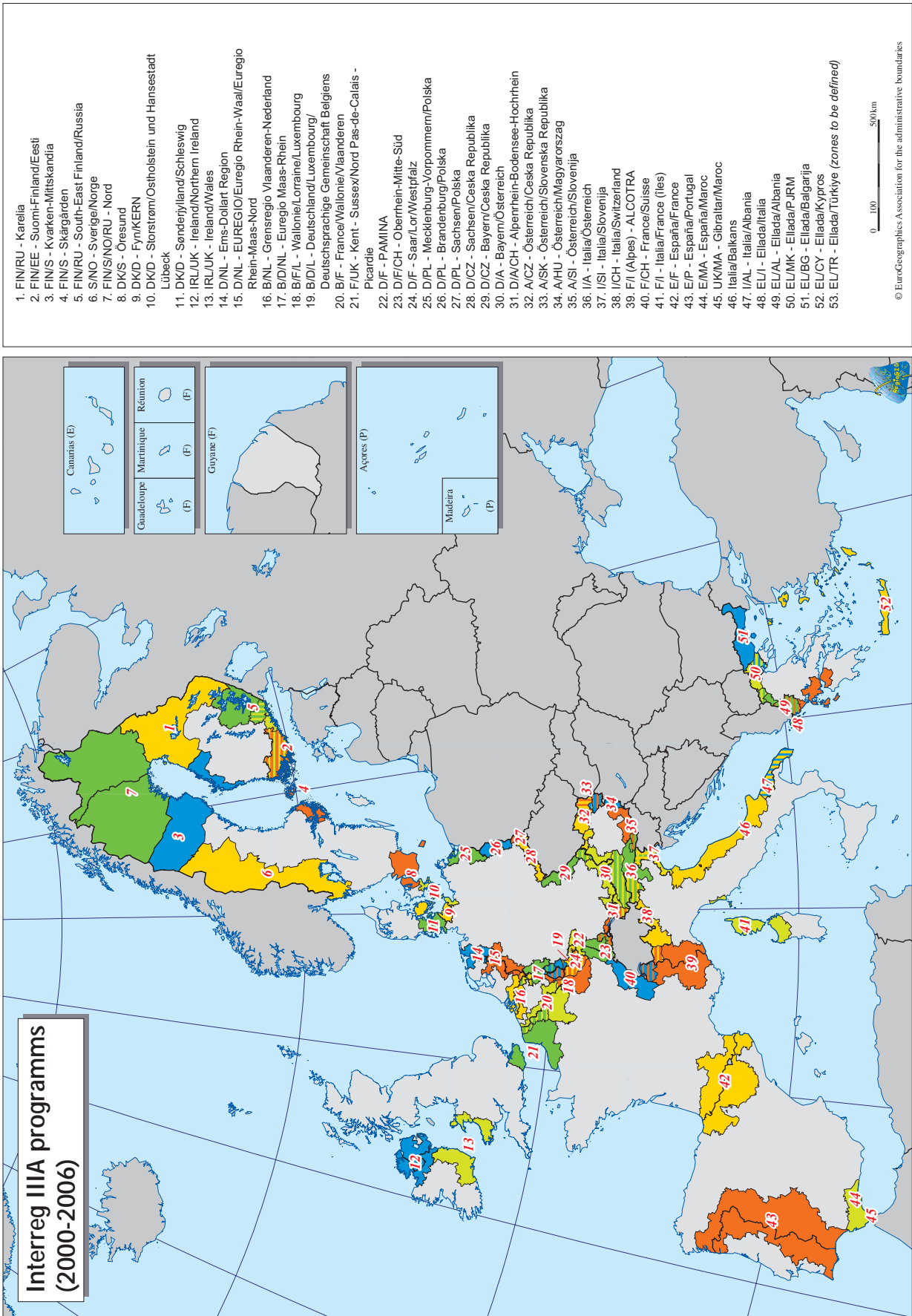
CIP	Overall objective	Measure of overall impact or result	Priority or sub-objective	Measure of impact or result
Ems-Dollart Region (Strand A)	To promote sustainable economic and social integration and the development of the Ems-Dollart Region, so as to make optimum use of the human, economic and natural potential that is currently unused due to the existence of the border.	—	<ol style="list-style-type: none"> 1. Promotion of qualitative growth 2. Installation of networks at structure level 3. Development of human resources 4. Promotion of meetings and language learning and exchanges of experience 5. Exploitation of IT potential 6. Promotion of mobility and access 	<p>Result indicators:</p> <ol style="list-style-type: none"> 1. Number of projects 2. Number of networks 3. Number of partners 4. Number of jobs created or saved 5. Number of people who have learned language of neighbouring country 6. Taking account of equal opportunities 7. Sustainability of project
Alps (Strand A)	The chosen indicators cannot be used to measure the extent to which the overall objective or the sub-objectives have been achieved.	<ol style="list-style-type: none"> 1. Increase in job opportunities 2. Stopping the exodus from rural areas and mountain areas 3. Two indicators for measuring the number of cooperation initiatives 	<ol style="list-style-type: none"> 1. Joint spatial management with a view to sustainable development 2. Fostering a sense of cross-border identity in the context of European citizenship 3. Promoting the competitiveness of border areas 	<p>For example, the last sub-objective should be measured against impact indicators:</p> <ol style="list-style-type: none"> 1. The level of development of rural businesses 2. Temporal and spatial distribution of tourist visits 3. Two indicators for measuring cooperation between enterprises 4. Increase in the number of certificated businesses and product labels
Ireland-Wales (Strand A)	The overall objective is simply a repetition of the general objective for Strand A. Sustainability of development is only partly measured. The indicators for the third sub-objective are fairly adequate, but they are not all defined.	—	<ol style="list-style-type: none"> 1. To encourage the economic, social and technical development of the cross-border area 2. To achieve sustainable growth by enhancing the overall quality of the cross-border area 	<p>For example, the first sub-objective should be measured against result indicators:</p> <ol style="list-style-type: none"> 1. Gross number of jobs created or saved 2. Number of people attending training courses 3. Proportion of projects that are IT-related <p>For the second subobjective:</p> <ol style="list-style-type: none"> 1. Number of shared cultural events 2. Number of shared initiatives to promote tourism 3. Number of marine and environmental research projects
	The objectives are complex and very broad. The link between the indicators and the objectives is vague and the indicators are not really concerned with the impact of the CIP.			

CIP	Overall objective	Measure of overall impact or result	Priority or sub-objective	Measure of impact or result
Spain-Portugal (Strand A)	Promoting harmonious and balanced development in border regions by means of a wide variety of opportunities for changing attitudes towards the cross-border area, with the peripheral economies, among the Member States of the European Community.	—	<p>15 specific objectives grouped into four priorities. For example, the objectives of the first priority are:</p> <ol style="list-style-type: none"> 1. To encourage economic integration and market integration 2. To increase the flow of investment, economic relations and visitors between the two countries 3. To plan the use of the territory in order to increase its competitiveness, 4. To promote territorial integration and the development of rural areas 	<p>In the case of the first priority the following impact indicators were adopted:</p> <ol style="list-style-type: none"> 1. Flows of persons and goods 2. Coverage of the sewerage catchment area 3. Rail and other connections between main urban centres
Alpenrhein-Bodensee-Hochrhein (Strand A)	To promote sustainable development in the region and establish and intensify cross-border networks	<p>Result indicators:</p> <ol style="list-style-type: none"> 1. Number of projects assisted 2. Number of cooperation initiatives assisted 3. Number of studies and basic planning documents 4. Number of networks supported 5. Number of infrastructure improvement projects 	<ol style="list-style-type: none"> 1. Economic development 2. Environmental and spatial development 3. Socio-cultural development 	<p>The result indicators adopted for each priority seek to measure the number of projects in certain fields, e.g. the number of projects that aim to promote the region and the number of projects in the field of innovation transfer.</p>
North-west Europe (Strand B)	Through an innovative and integrated approach to transnational cooperation on territorial questions, to contribute to more cohesive, balanced and sustainable development of European territory, and the NWE area in particular.	<p>Result indicators:</p> <ol style="list-style-type: none"> 1. Estimated number of projects per priority 2. Number of transnational spatial management documents 3. Number of permanent networks of employees created in the public and private sectors 4. Number of mechanisms for cooperation between ministries on questions closely related to spatial management 	<p>21 objectives, including, for example, for the 'internal and external accessibility of the region' priority:</p> <ol style="list-style-type: none"> 1. To afford sustainable connectivity between NWE and the rest of the world 2. To contribute to territorial cohesion through sustainable transport 3. To improve access to knowledge and information 4. To improve the basis on which future decisions may be taken 	<p>Impact indicators for the 'internal and external accessibility of the region' priority:</p> <ol style="list-style-type: none"> 1. Accessibility of the territory (internal and external) 2. Development of modes of transport (modal split), especially in the 'Euro-corridors' 3. Reducing traffic congestion 4. Number of innovative approaches 5. Number of transnational cooperation networks 6. Small-scale investment total
	The overall objective is broad and accompanied by indicators which do not measure the extent to which it has been achieved. There are numerous sub-objectives. Corresponding indicators have been defined, but in view of the number involved, they are difficult to handle.			

CIP	Overall objective	Measure of overall impact or result	Priority or sub-objective	Measure of impact or result
Western Mediterranean (Strand B)	To increase territorial competitiveness throughout the Médoc area: strengthen the cohesion of the operational area by making land development policies more consistent through enhanced interinstitutional integration; to foster and initiate richer, more numerous, transnational cooperation initiatives with a view to sustainable development on the scale of the European regions eligible for the programme, and with the non-member countries on the southern shores of the Mediterranean.	Result indicators: 1. Number of organisations involved in projects 2. Number of strategic and spatial studies carried out 3. Number of networks involving public bodies 4. Number of projects involving more than two countries, or at least one non-member country.	Four priorities: 1. Mediterranean basin 2. Regional development strategy and urban systems 3. Transport systems and information society 4. Environment, heritage promotion and sustainable development	Examples of result indicators for priority 1: — Number of projects to develop the Mediterranean area being financed — Number of agreements between authorities on the two shores of the Mediterranean — Number of people trained — Number of portals shared by more than one undertaking on the two shores of the Mediterranean — Increase in the rate of use of the new technologies by the authorities and undertakings being financed
North (Strand C)	Improving the effectiveness of regional development and cohesion policies and tools through the creation of networks, especially for the regions whose development is lagging behind and the reconversion regions. The Strand C objectives and CIPs have not yet been adequately defined. There are no indicators as yet.	—	—	—

(1) The term 'impact' refers to long-term effects, while 'results' are direct and immediate.

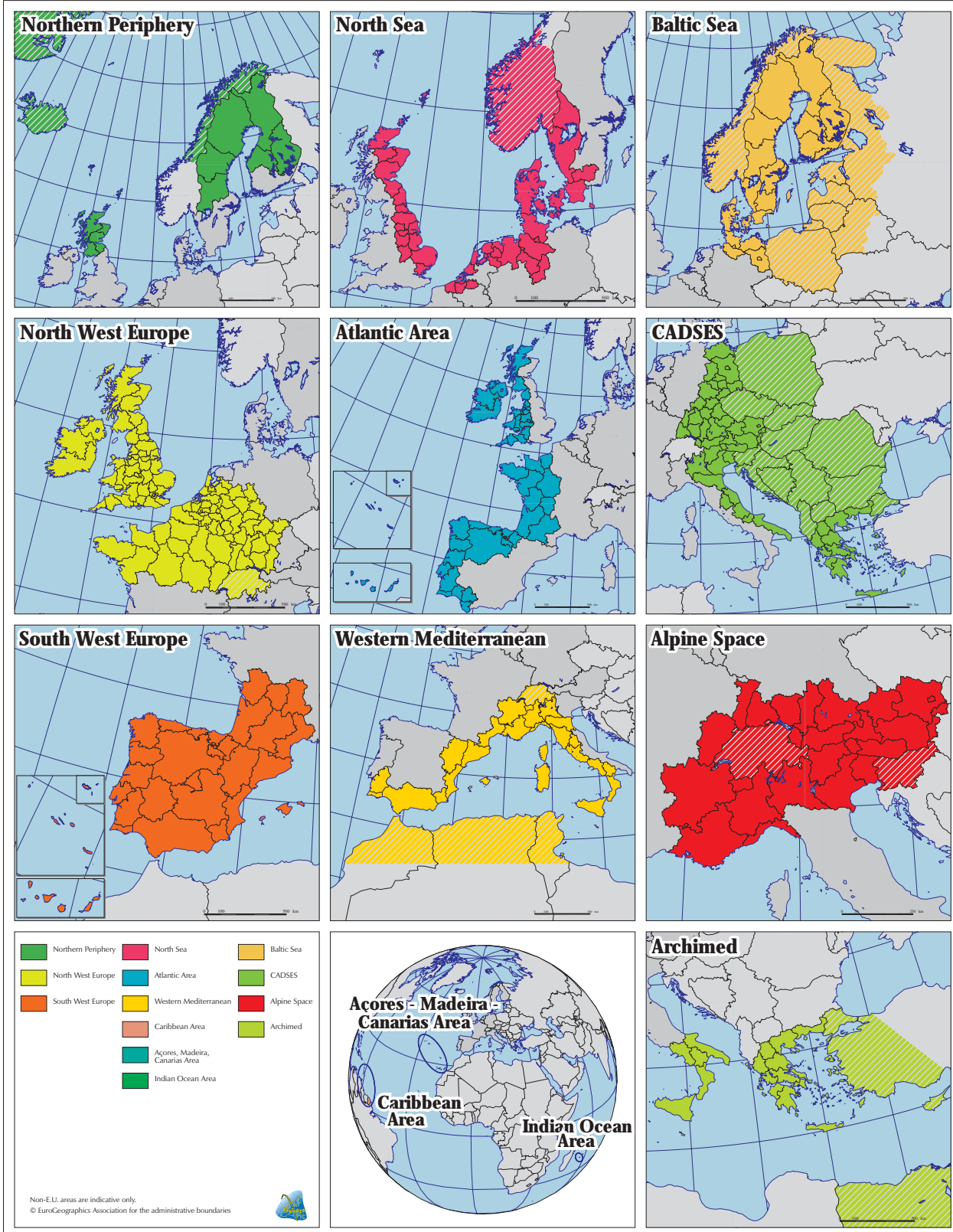
Map 1



Source: Commission, DG REGIO.

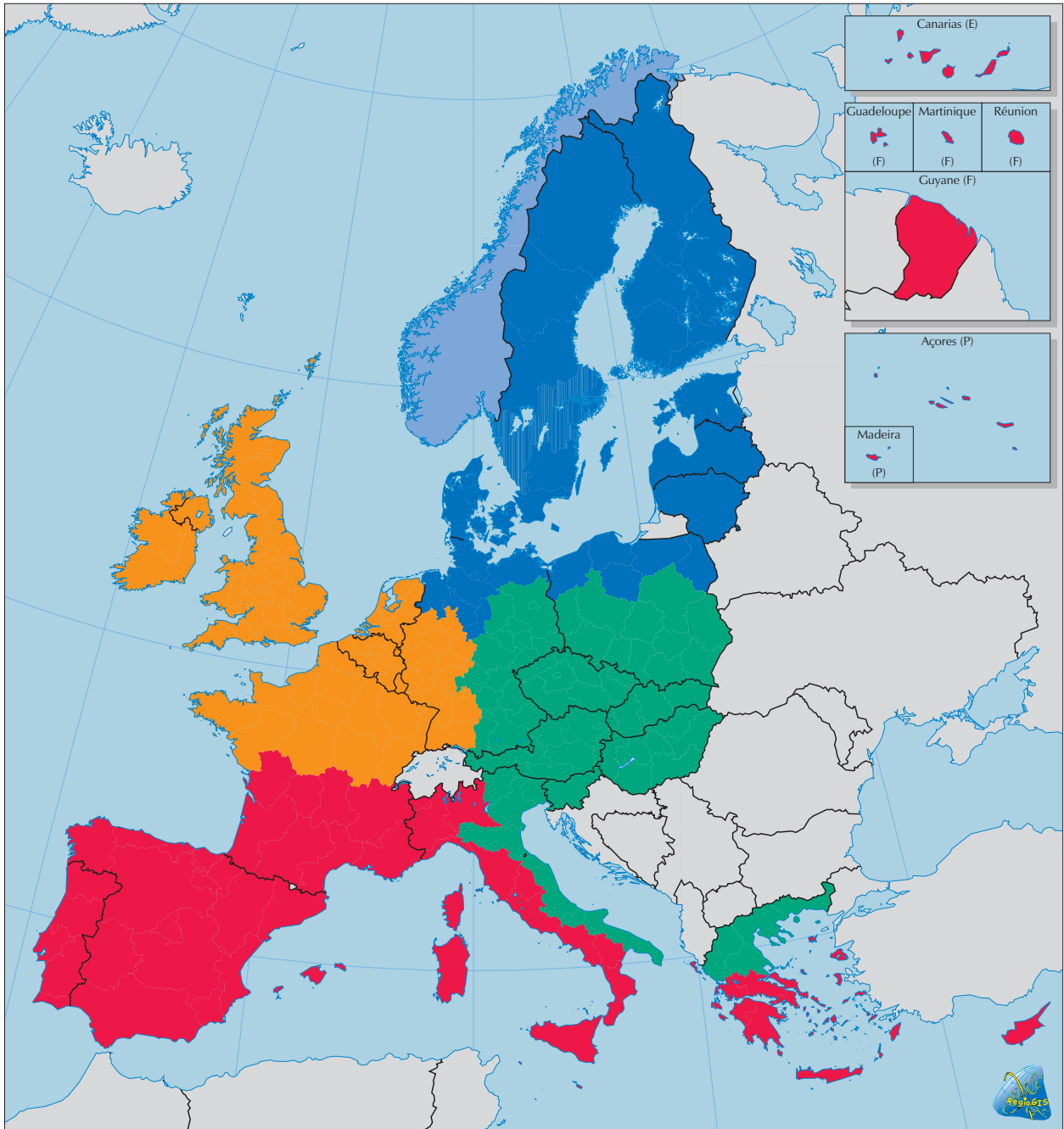
Map 2

Interreg IIB (2000-2006): Cooperation areas



Source: Commission, DG REGIO.

Map 3



INTERREG IIC (2000-2006)

- South
- West
- North
- East

North East South West
INTERREG IIC

0 100 500km

© EuroGeographics Association for the administrative boundaries

Source: Commission, DG REGIO.

THE COMMISSION'S REPLIES

SUMMARY

III. In view of the large number of cross-border programmes, the many different types of area concerned and the priority objective of developing cross-border economic and social centres, the Commission opted in its guidelines for a bottom-up approach. This is why the guidelines for strands A and C refer to the priority areas in relatively broad and non-exhaustive terms. The added value is to be found in the development of cross-border cooperation and in the catalyst effect this produces. The indicators should measure progress made in this field. However, the intangible nature of a great many operations made it difficult to devise targeted indicators.

The main actors were familiar with the general points of the guidelines, and the Commission had been in regular contact with them well before the guidelines were published.

IV. Even though improvements are always possible, the Commission believes that the procedural stages were adequately prepared and that the main shortcomings had been corrected, as far as was possible given that there had to be some negotiation. The delays were largely due to the time taken to remedy these shortcomings given the need to secure the agreement of all the Member States concerned. The delays had little impact on the start-up of the programmes.

V. The creation of genuine joint management structures with their own legal personality would facilitate implementation of cooperation programmes. In its third report on economic and social cohesion the Commission announced that it intended to propose to the Council a new legal instrument, in the form of a European cooperation structure.

VI. The bottom-up approach brings out concerns not identified by expert analysis but expressed by regional and local authorities which feed into the strategy and choice of priorities. As the overall objective of the cross-border CIPs is to contribute to the development of cross-border economic and social centres, any project which facilitates cooperation on this point can participate in the objective.

VII. The Commission recognises that there is a difficulty in finding suitable indicators due to the fact that the added value of the Interreg Initiative takes a variety of forms. The sets of indicators in individual Interreg III programmes are, however, a promising start in this direction.

The Commission encouraged Member States to put in place IT project management systems and databases to compile information for use with indicators.

VIII. After the mid-term assessments, the Commission urged many programme management authorities to improve the systems of indicators. As part of the simplification drive, the Commission called on Member States to simplify and reduce the number of their impact indicators.

IX. The Commission considers that added value is greater if CIPs contribute to creating cross-border economic centres rather than simply resolving problems still existing at borders. The choice of this approach affects the possibility of laying down standard indicators, even if improvements are possible in this field.

X. The Commission will present the guidelines and methodology documents well before the next programming period gets under way. The Commission is reviewing the role of *ex ante* evaluation in preparing the new regulations.

XI. The Commission will examine the Court's recommendation when preparing the next programming period. It is working on the legal cooperation instruments.

INTRODUCTION

4. (a) The Commission would point out that the recommendation made in 4(a) has been taken into account in the guidelines for Interreg III. It would refer to the Court's observations at 7(b).

THE COMMISSION GUIDELINES

12. The Commission shares the Court's view that it is important that guidelines are adopted before the preparation of programmes starts.

On the question of making available the guidelines for Interreg III, the Commission would refer to its reply to paragraph 28. On the question of specific operational and measurable objectives and targeted measures, it would refer to its replies in paragraphs 17 to 25.

15. (b) Cross-border institutions had been involved in Interreg programmes in some regions. However, the different national legal situations meant that the Commission could not prescribe cooperation structures and the guidelines therefore limited themselves to requiring joint governing bodies.

16. In its guidelines the Commission gives European economic interest groupings (EEIGs) as one of the avenues to be explored; this was done in a number of programmes but the results were rather disappointing, as is stated in paragraph 44. The Final Report on the *ex post* evaluation of Interreg II published in December 2003 has since confirmed that the EEIG instrument is not geared towards cooperation between public law based authorities and that it is very time and resource consuming to set up and created practical difficulties in operation.

On completion of the work carried out in the wake of the study on legal cooperation instruments, the Commission envisaged, in the proposals contained in the third report on economic and social cohesion, creating a legal instrument to facilitate the management of cooperation programmes.

17. (a) Cross-border programmes have similar objectives to those of traditional Structural Fund programmes, but with the specific feature set out in point 9 of the guidelines, namely the development of cross-border economic and social centres. This can only be achieved by developing as many links as possible between neighbouring socio-economic fabrics which, because of borders, have no links. The fundamental problem for border areas is the limited exchanges between actors on the two sides of the border.

(b) The intangible nature of a great many Interreg operations make it difficult to quantify the impact. The Commission would refer to its remarks in paragraph 21(a).

18. The Commission believes that the analyses at its disposal were adequate for defining the general objectives in the guidelines.

19. The Interreg III guidelines state the general aims and objectives to be pursued. It is, however, the situation in a particular border region that should determine the specific types of action that need to be covered by a programme.

20. The definition of the concrete objectives and priorities for the programmes by the Member States' authorities on the bases of the Interreg guidelines is in line with the principle of subsidiarity.

21. Given the diverse situations the Commission preferred not to set common indicators *ex ante*; instead it suggested examples of indicators to Member States. Defining indicators is a process which must be carried out on an ongoing basis and in partnership between the Commission, the management authorities and the monitoring and steering committees.

(a) Some of the most important benefits of Interreg are not quantifiable. One of the main ones is to create, often for the first time, a context where cooperation between individuals, public and private institutions and enterprises across borders can take place.

The greater the intangible content of projects, the greater the difficulty of developing indicators. The Commission has concentrated on developing indicators to measure the concrete results of cross-border and transnational cooperation in particular programmes. The current sets of indicators in individual Interreg III programmes represent a start in this direction.

(b) Despite the inherent difficulty of quantifying effects that are largely intangible, the Commission aimed in its documents to give examples of indicators that could be used in practice. In the light of the experience gained in using the indicators, the Commission recognises that there is room for improvement in the guidance on indicators.

(c) The Commission was aware of the needs in terms of interregional cooperation (strand C). Over the period 1994 to 1999, it had organised five calls for proposals which had attracted over 1 500 applications each representing a number of partners. In response to these calls it financed and monitored some 150 cooperation projects. On the basis of this experience the Commission decided to focus this type of cooperation on improving the effectiveness of regional development and cohesion policies and instruments. The Commission would emphasise the usefulness of this type of cooperation in an enlarged, 25-member Union with many bodies and authorities conducting policies or managing regional development measures.

22. The Commission adopted the approach of a basket of options from which the Member States could choose because of the diversity of situations in the regions. Both in the guidelines and during the negotiations the Member States were recommended, *inter alia*, because of the limited funds available, to focus the actions in each programme on certain prioritised measures deriving from the socio-economic analysis of the situation in the regions concerned.

Only NUTS III areas along the border could be included. Such regions may be disadvantaged in comparison with the average of the NUTS II regions to which they belong. For example the NUTS III areas on the Bavarian-Czech border face a different socio-economic situation than the average of the NUTS II areas of Niederbayern or Oberpfalz, which are close to the 2001 EU15 average.

24. The Commission wanted to leave the decentralised public authorities the choice of areas in which they wished to cooperate to improve their development policies and instruments. This allows steering committees to select the projects best suited to the regional development and cohesion objectives.

25. In concentrating operations, preference is given to projects with a heavy cooperation content, whatever the area, for the reasons explained in paragraphs 17 and 22 for cross-border projects and 24 for interregional projects. Sectoral concentration is appropriate in regions which have marked sectoral problems but not for a territory confronted with the general problem of weak socio-economic links because of the border. In this area at least it is the intangible nature of the effects of cooperation, in particular, which limits the possibilities of precise indicators for evaluation purposes.

26. The Commission was concerned not to complicate programme management, as any definition of areas not based on NUTS III would make analyses and the organisation of partnership more difficult and would also lead to disputes about the geographical eligibility of projects.

28. The Commission discussed drafts of the guidelines with the Committee for the Development and Conversion of Regions on 30 November and 13 and 20 December 1999. Before the formal approval of the guidelines the Commission services were also in regular contact with the regions and gave advice on the drafting of programmes. Drafts of the specific guidance on *ex ante* evaluation and indicators for Interreg III were available to Member States in the Technical Group on Evaluation as early as November 1999.

29. As stated in paragraph 28 the content of the guidelines was known well before they were finally published. The Commission does not therefore believe that the date of publication affected the quality of the proposals.

THE COMMISSION'S PROCEDURE FOR EXAMINING CIP PROPOSALS

32. The second phase of the examination of proposals involved inter-service consultations and culminated in a position paper. This was drawn up in accordance with internal instructions intended to ensure that the programmes were of good quality. It served as a basis for negotiations with the Member States' authorities. All the comments made during the inter-service consultation and all correspondence with the Member States were filed in the computer system and in hard copy. Desk officers systematically followed up the points raised in the position papers and discussed in the negotiation meetings.

33. The Commission had to find a balanced solution in partnership with the Member States.

- (a) The first version of the Spain-Portugal CIP provided only for the creation of secretariats working separately just for the subprogrammes. The corrected version of the programme, which was judged admissible, added the creation of a genuine JTS for support for the overall management of the programme (in the managing authority) and of the subprogrammes as regards operations coming under the responsibility of the central authorities of the two countries.

In order not to delay programme start-up, the Commission accepted this proposal which it felt was not ideal but was an improvement. Subsequently the Commission took a number of steps to ask for the position of the JTS to be improved.

- (b) The Spain-Portugal programme proposal was found inadmissible after the check of the first proposal of 18 December 2000. The proposal was found admissible on 14 February 2001 after additional documentation had been supplied.

The comments of the coordination unit on the admissibility of the MEDOC programme were of a qualitative nature and could not be used to justify declaring the programme proposal inadmissible. The comments were of a type to be considered in the context of the position paper.

34. The Commission considers that the internal instructions were adequate to ensure a consistent and transparent treatment of the programmes, while allowing the necessary flexibility to deal with the wide variety of programme areas and of quality in the programme proposals. It also considers that the Member States received adequate instructions for drafting proposals (see reply to paragraph 28). Further instructions would have run counter to the principle of subsidiarity and to the need to keep rules as simple as possible.

36. The exceeding of the time limit for the approval of programmes was largely due to delays in programme authorities' revision of their proposals, which first had to be agreed with their partners (see the Court's observation in paragraph 37(c)). Within the Commission, too, it was a considerable challenge to process a large volume of dossiers at the same time, with nearly half of the programme proposals arriving within the space of a few weeks around the deadline for submission.

As stated in its reply to paragraph 19 of Special Report No 7/2003 (see FN 19), the Commission believes that the regulation time limits were not very realistic, particularly for Interreg.

- 37 (c) The Commission would refer to its reply to paragraph 36.

38. The Commission has announced that programme complements will be dropped for the next programming period.

39. Many actors were still occupied with projects under the old Interreg II programmes, which could be implemented until the end of 2001. This reduced in practice the potential for new projects under the new programmes and therefore also reduced the effect of the delay in the publication of the guidelines and in the approval of programmes. The Commission would also refer to its communication of 20 September 2002 (COM(2002) 528) on the evolution of budget execution of the Structural Funds, in particular outstanding commitments (RAL).

COOPERATION DURING PREPARATION AND IMPLEMENTATION

41. Due to the specificities of the three strands, the involvement of the various partners was different. As laid down in the guidelines (paragraphs 22 and 23), cross-border cooperation programmes were to be drawn up by the regional or local authorities in partnership with the national authorities, whereas transnational cooperation programmes were to be drawn up by the national authorities in close cooperation with the regional or local authorities.

42. The Commission would refer to its replies to paragraphs 59 to 63.

44. An attempt was made in the north-west Region Interreg III B programme to set up a transnational association in the form of a European Economic Interest Grouping to host the managing authority and the joint technical secretariat of the programme. However, it was found during the negotiations that not all Member States provide for this type of institution with public responsibilities in their legislative systems. Concerning a possible new legal instrument for cooperation in the new period, the Commission refers to its reply to at point 16.

45. The guidelines state that the joint technical secretariat should assist the managing authority with the implementation and operational management of the programmes. Emphasis is placed on effectiveness and operational aspects, while the strategic aspects are left to the managing authority and the monitoring committee. For this reason, a JTS set up in a single location and consisting of representatives of the Member States concerned is, as a rule, better adapted to the guidelines.

48. In the guidelines the Commission had suggested that the system of financial management should allow a transfer from the ERDF, but preferably also national co-financing (point 25 of the guidelines).

CONSISTENCY BETWEEN THE INITIAL ANALYSIS AND CHOICE OF MEASURES AND THE ADDED VALUE OF THE FIRST PROJECTS TO BE ADOPTED

52. The Commission would refer to methodology working document No 2 'Ex ante evaluation of Structural Fund operations' which recommends an independent and objective evaluation, underlines the principle of proportionality, advocates an interactive link between *ex ante* evaluation and preparation of the strategy and proposes that the work of the evaluators be transmitted to the Commission either as an annex or as a document or series of separate documents.

54. The cooperation projects managed as ERDF innovative actions were completed at the end of 2002, i.e. after strand C was launched. Although there was no external evaluation of these projects, the experience acquired helped the secretariats responsible for implementing the CIPs of this strand.

56. (a) The Commission would refer to its replies to paragraphs 57 and 63 to 66.

(b) The Commission would refer to its reply to paragraph 63.

57. In focusing strand C on the objective of improving the effectiveness of regional development policies and instruments, the Commission believes that it is for the decentralised public authorities to identify areas of cooperation.

58. It is quite right that descriptions should present development-related problems, because the main problem created by borders is that of the inadequate intensity of economic and social relations between neighbouring actors, which is an obstacle to development. This is a tricky problem which takes time to resolve, as it involves developing cooperation between administrations and organisations of all kinds on both sides of the border. The missing links therefore concern a great many sectors of activity. On this point see the reply to paragraph 17.

(b) The examples show the differences in cooperation needs between different programmes. They also confirm the Commission's opinion that regions should have considerable scope to choose for themselves the types of cooperation they find most urgent.

It is true that the bottom-up approach, which the Commission considers essential in regional development, is potentially at odds with the principle of concentrating financial resources 'on a limited number of topics and measures' (point 11 of the guidelines). In particular, for programmes where there is long experience of cooperation and a limited development gap (at old internal borders), the tendency is to cover a large number of topics in order to take cooperation further, rather than concentrate on a limited number of topics.

60. The strand A Interreg programmes differ from traditional operation programmes in that they are directed at cooperation and use rather innovative mechanisms to achieve this goal. In view of the problems facing these areas as set out in paragraphs 17, 21, 22 and 58, it is normal that the topics covered should be the same as in traditional programmes.

61. What distinguishes strand B from strand A is that those who devised these programmes followed the recommendations of the ESDP to structure their cooperation. As a result virtually all the strand B CIPs have a structure related to the ESDP priorities, namely polycentric spatial development and a new urban-rural relationship, clarity of access to infrastructure and knowledge and wise management of the natural and cultural heritage. The Commission does, however, acknowledge that some of these CIPs could have been more targeted, but this is not always possible in trans-national partnership.

62. The Commission would refer to its reply to paragraph 57.

63. There are at least four reasons why strategy and priorities do not flow solely from the SWOT analyses: 1. the territories concerned do not come under a single public authority; 2. the statistics do not relate to all the territories concerned; 3. as the major problem is the weakness of cooperation links as explained in paragraph 17, the best way of identifying what steps needs to be taken is by a bottom-up approach; 4. the programmes are the outcome of a negotiation process between partners in different Member States trying to find a consensus.

The Commission considers that, for the four reasons given above, for cross-border CIPs a bottom-up approach gives better results. This inevitably means less targeting than with a top-down approach, but it must still take into account programme strategy and priorities. It is also closer to the concerns of authorities which are responsible for development matters and of local actors. The steps referred to at 3 and 4 should be explained in the CIPs and integrated in the SWOT analysis.

Finally, in the field of cross-border cooperation, even with more targeting the problems connected with borders would not all be resolved, some of them (e.g. differences between taxation and social security systems) are outside the scope of the ERDF or can only be addressed in part (e.g. judicial and administrative cooperation — See Annex II, point 7). Applying solutions in these areas is the sole responsibility of the Member States.

As regards transnational CIPs, the Commission can go along with the Court's analysis and its criticism of inadequate targeting. The Member States concerned were, in some areas, not sufficiently involved in identifying projects which genuinely created structures for the territories concerned. In future consideration should be given, for this strand, to developing more top-down working methods involving national administrations.

64. Complementarity lies principally in the cross-border cooperation aspect which comes on top of the traditional and economic and social development. For instance, two border regions will include the financing of business support in their regional programmes and, by way of complement, the exchange of experience in financing such services in Interreg.

65. For strand B, complementarity is achieved in that the CIPs finance transnational projects which are too complex for mainstream financing. For strand C complementarity derives from the objective of improving regional policies and instruments, some of which are used for implementing mainstream actions.

66. The selection committee must be in a position to base its decisions on its appraisal of the quality of the projects, as it is possible, with the quantified criteria, to quickly identify the strengths and weaknesses of each project and to discuss them in the steering committee. The Commission agrees with the Court that defining minimum quality would improve the selection system for certain programmes.

67. The trans-European nature of projects is one of the principal requirements of the guidelines. The Court is quite right in underlining that some strand A projects financed by Interreg are not carried out jointly by partners on both sides of a border. This is authorised by the guidelines where significant impact can be demonstrated on the other side of the border.

68. The Commission considers that exchange of experience is a way for the bodies involved in these exchanges to improve their know-how. In some cases they may then be in a position to carry out more effectively local development actions financed, for instance, under mainstream or Interreg financed cross-border programmes. This applies to improvement in business support and the prevention of coastal erosion.

69. The Commission believes that projects for the exchange of experience are often a prerequisite for the development of innovative action and better use of public funds. As regards the observation on the lack of targeting, the Commission would refer to its reply to paragraph 63.

THE FEASIBILITY OF MEASURING PROGRESS EX POST

71. As explained in the reply to paragraph 63, the bottom-up approach means taking into account the opinions of partners in determining objectives and not only the SWOT analysis. In addition, the general objective of cross-border CIPs of developing cooperation between administrations and organisations of all kinds on both sides of the border (see paragraph 63) and the intangible nature of a good many of the activities chosen make it difficult to quantify exactly the impact of the operation (see paragraphs 21 and 22).

73. Commission staff are in the process of analysing in detail the mid-term evaluation reports; this exercise will help to remedy the problems and shortcomings detected by the Court concerning the relevance of the indicators. What the Commission has seen so far is that one point criticised in a good many reports is that project partners can each determine their own indicators; in its official reaction to the reports the Commission will recommend that project partners be required to use the indicators stipulated in the programming documents (programme and complement). The lack of accuracy of the measurement of impact is mainly due to the intangible nature of the large number of activities financed.

74. The context indicators proper serve to define the starting situation, giving a snapshot of the region to which reference can be made to see whether the programme has had any impact on this situation. It is true that these indicators are not necessarily influenced by the operation, and that their value as far as the programme is concerned can be limited. Many earlier Interreg evaluations found that impact objectives cannot be quantified if this starting situation is not known. The Commission notes that a first step has been taken, but that harmonious application to all the CIPs would have been of more use.

75. As regards quantifiable indicators, i.e. of outputs and outcomes, as a rule it is the beneficiaries who state in their reports what has been achieved or, for some indicators, it is the joint secretariat.

It is only to be expected that contributions to overall objectives made by specific projects should be difficult to determine.

77. The Commission urged Member States to select only a limited number of relevant indicators. It reminded Member States of this recommendation in the simplification exercise (Communication of 25 April 2003 (C(2003) 1255)).

78. The Commission urged Member States to put in place computerised project management systems and databases to compile information for use as indicators.

CONCLUSION AND RECOMMENDATIONS

79. The delays in the publication of guidelines and in the approval of programmes did not have any decisive effect on the quality of programmes (see replies to paragraphs 28, 29 and 36 to 39). As regards evaluation, some progress was made through the increased quantification of objectives, even though this progress was limited because of the intangible nature of many of them (see the reply to paragraph 21).

80. The Commission guidelines have produced significant advances in the CIP management system compared with the previous period. Further progress is expected on the basis of current experience and exchanges between management bodies under the Interact programme. The Commission is also planning to propose that the Council should introduce for the next

programming period a new legal instrument to facilitate the creation of joint structures.

81. On the matter of the analyses available, the Commission would refer to its replies to the observations in paragraph 18. As stated in paragraphs 17 and 58, the general objective of cross-border cooperation is the development of a cross-border economy by developing cross-border socio-economic centres out of the two economies separated by the border. This means that any opportunity for developing cooperation between administrations and socio-economic actors located on either side of the border should be promoted. Hence the guidelines deliberately provide a relatively wide field of action. In some CIPs, however, specific cross-border problems were identified, by reference to which targeted and measurable objectives were defined and resources were concentrated on these objectives. These two approaches are not therefore mutually exclusive, as is shown by the examples of targeting on specific problems that the Court quotes in paragraph 58.

82. The Commission would refer to its replies to paragraphs 26 and 55.

83. As the Member States were aware of the essential aspects of the guidelines before they were published and as the Commission was in regular contact with the regions while the proposals were being prepared, the Commission does not think that programmes suffered in quality because of the delay in publishing the guidelines. It would refer to its reply to paragraph 28.

84. The Commission organised systematic assessment of the quality of the proposals and monitored the action taken on its observations. Where, on occasion, it was unable to impose its demands, this was because it was involved in complex negotiations with a set of partners who also had to negotiate the adjustments requested between themselves.

85. The delays that occurred were not only when the Commission was examining the proposals. They were also the result of the time taken by Member States, who had to talk to each other and reach agreement on the improvements requested by the Commission. As explained in paragraphs 37 and 38, as a rule they took longer in doing this than the Commission did in examining the proposals.

As regards the low take-up of payment appropriations, the Commission would refer to its reply to paragraph 39.

86. Because of the search for the essential consensus in programmes involving a number of Member States and the very purpose of the programmes, CIPs are targeted at enhanced cooperation and not at predetermined sectors of activity. The Commission would also refer to its replies to paragraphs 58 and 59.

87. The Commission believes that improvements are still necessary in terms of shared structures, and it is reassuring to note that in most cases there is a single financial plan, despite the fact that the resources allocated to the structural funds are distributed by Member States.

88. The Commission would refer to its reply to paragraph 52.

89. As the Commission explained in paragraph 63, the bottom-up approach brings out concerns not identified by expert analysis. These concerns of regional and local authorities are used in cross-border areas in addition to expert studies to determine strategy and priorities. It is difficult to measure the impact of CIPs because of the intangible nature of cooperation objectives (see the reply to paragraph 73). The Commission pays attention to the analysis of the starting situation. It is for this reason that it proposed context indicators.

90. The principal objective of cross-border CIPs is to develop cross-border economic and social centres through joint strategies for sustainable territorial development and not only to resolve problems directly linked to borders. The main concern is to overcome the major handicap of these areas which lies in the weak links between actors who are located close to each other but in different Member States. Programmes do, none the less, seek to resolve certain specific problems linked to the existence of borders.

91. The priorities and measures are directed at resolving the major problem of limited links between actors, and not only to seek out specific problems which would justify sectoral targeting of actions. Targeting does exist, but it concerns the processes which generate cooperation and not sectors of activity, given that the key objective is to generate cross-border economic centres.

92. The objective set by the Commission in its guidelines for strand C, namely 'improving regional development policies and instruments', responds to a need which can be identified only by the public authorities concerned by comparing their own policies with those of their counterparts in other Member States. The bottom-up approach is therefore fully justified. It is, of course, difficult to provide a theoretical definition of relevant indicators for such an objective. The Commission and the Member States therefore agreed to define indicators pragmatically after examining the first series of selected projects.

93. Complementarity is to be found principally in the cross-border cooperation element which is additional to traditional economic development.

94. The wide range of measures financed derives from the bottom-up approach. In this connection the Commission believes that exchange of experience is a way of improving the know-how of the bodies involved and, in some cases, a prerequisite for the development of innovative actions and better use of public funds.

95. As explained in the reply to paragraph 63, the bottom-up approach involves taking account of the partners' opinions in

determining objectives and not just the SWOT analysis. In addition, the general objective of cross-border CIPs is to develop cooperation between administrations and organisations of all kinds located on the two sides of the border (see paragraph 58).

96. The Commission acknowledges that in many cases there are too many indicators. But certain intangible objectives, which are a feature of Interreg programmes, cannot easily be measured by quantifiable indicators.

97. The Interact programme is an indication of the importance the Commission and the Member States attach to improving the design and implementation of these programmes by exchanging methods and experience between managers, Member States and the Commission.

(a) The Commission is looking into the problems with indicators in the mid-term reviews (see reply to paragraph 73).

(b) The Court itself observes (paragraph 67) that most of the projects selected so far satisfy the trans-European criterion. The Commission does not believe that projects should be concerned solely with resolving specific border-related problems (see paragraphs 58 and 63).

98. (a) The Interact programme also helps to prepare the future. However, the Commission believes that in view of the different situations which exist, the analyses must be conducted border by border within a wide-ranging partnership on the responsibility of the authorities in charge of the cross-border programmes and not on the Commission's responsibility.

(b) For all the objectives of the forthcoming programming period 2007 to 2013, the Commission will propose that the Council adopt strategic EU guidelines for cohesion policy. These guidelines will serve as a framework for preparing and implementing fund programming, including the European territorial cooperation objective.

(e) The Commission will present the guidelines and methodology documents before the next programming period gets under way.

(g) The Commission has announced that programme complements will be dropped in the next programming period.

(h) The Commission will consider the Court's recommendation when preparing the new period.

(i) The Commission will propose a specific Council regulation on this subject.