

I

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on

the integrated approach to Community financing of structural measures together with the
Commission's replies

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1. INTRODUCTION

1.1. Since 1978, the Community legislation on providing finance for structural policy purposes has attached increasing importance to the concept of an integrated approach. The idea behind this approach is that the various measures will have greater impact if their effect is combined than if they are implemented separately, since more effective organization of different types of financial assistance and better coordination in the management of the various investment projects is likely to cause them to interact more favourably.

1.2. The integrated approach has several implications for the objectives, conditions, criteria and intervention procedures of the different instruments. These implications have been set out in a background paper which the Commission has submitted to the Council and the Parliament ⁽¹⁾ and which aims to define the methods intended to encourage integration.

1.3. The objective of achieving an integrated approach appeared for the first time in practice with the operation to assist Naples, implemented with effect from 1979, mainly under the auspices of the ERDF and within the framework of existing financial instruments.

1.4. The concept of an integrated approach is also to be found in the operation to assist Belfast. In this case, however, unlike the preceding operation, a Council regulation, originally proposed by the Commission in 1981 and adopted in 1983, provided for a special measure and a financial package which were in addition to the resources supplied from the traditional Community Funds.

1.5. In the meantime, three chiefly agricultural measures had appeared, concerning the Western Isles of Scotland, the department of Lozère and South-East Belgium. For these new measures, unlike for the two previous ones, regulations do exist. They were adopted by the Council in 1981 and lay down, for the three regions in question, integrated development programmes and specific additional allocations, these latter being reserved for agricultural measures.

1.6. In 1983, the Commission submitted a proposal for a regulation setting up integrated Mediterranean program-

mes (IMPs) ⁽²⁾ to the Council. This regulation was formally adopted in 1985. In the meantime, a number of preparatory pilot measures of an experimental nature were launched with a view to testing the proposed methods for drawing up and managing the integrated Mediterranean programmes.

1.7. As regards the regulations, the actual notion of integration was not dealt with in any specific provision until 1984, and the initiatives adopted prior to this date were not supported by any authoritative definition of this concept. Since 1984, the notion of integration appears, as regards the ERDF, in the new regulation adopted in June 1984 and, as regards the integrated Mediterranean programmes, in the regulation adopted in July 1985. No corresponding provisions have been adopted for the other financial instruments, but the Commission's 'guidelines' for the management of the Social Fund (ESF) ⁽³⁾ provide that priority shall be given to integrated operations, measures or programmes that involve assistance from several Community financial instruments.

1.8. The new ERDF Regulation specifies that integrated development operations comprise a coherent set of public and private measures and investments, to the implementation of which the Community and the national and local authorities in the Member States contribute in a closely coordinated manner through the concerted use of the various structural financial instruments. The same elements, in a rather more developed form, are found in Articles 2, 4, 5 and 9 of Council Regulation (EEC) No 2088/85 concerning the IMPs.

1.9. This report aims to take stock of all the initiatives which have been taken on the basis of an integrated approach prior to the execution of the actual IMPs, irrespective of whether they were based on the regulations or not. There are four types of such measures, analysed one by one below (the Naples operation, the Belfast operation, agricultural measures and preparatory pilot measures); they differ slightly one from another but all have in common the aim of achieving integration of the various financial resources allocated to the regions and the activities in question.

⁽¹⁾ The footnotes appear together at the end of the report.

2. THE NAPLES INTEGRATED DEVELOPMENT OPERATION

2.1. The seriousness of the situation, arising from the lack or the inadequacy of basic infrastructure (public health, transport, water supply and water pipes, housing and services) and from the need to create new productive jobs in a region which is as densely populated as that of Naples, was the reason why the Community and the Italian authorities concerned decided to make an exceptional effort to tackle these problems, which resulted in the launching, in October 1979, of an integrated operation for Naples (ION).

Coordination of the operation

2.2. The operation has not been given a specific framework of regulations nor has it even been allocated overall funding. It is being implemented by means of the usual legislative and administrative instruments, but in addition it has the assistance of a Working Party responsible for supervision and coordination which is supposed to eliminate, as far as possible, the various obstacles which impede proper execution of the projects. The financing of the works is therefore done via the traditional channels and the same also applies to the Community, which participates in the financing of the operation through its structural instruments, no appropriation being specifically allocated to the operation in the Community budgets.

2.3. The Working Party is made up of representatives of Community, national, regional and local authorities. When it was set up in 1980, it consisted at one level of political leaders and, at another level, of a 'technical group.' The latter was replaced in 1985 by a coordination committee which, whilst it is identical as regards tasks and composition to the previous group, has a larger permanent secretariat (six or seven members of staff). The coordination committee is entrusted with drawing up proposals after identifying the priorities and any obstacles standing in the way of the proper execution of the projects. It acts under the authority of the Working Party of political leaders, to which it reports.

2.4. In reality, the integrated approach has not altered the powers and the financial and administrative organization of the various bodies which participate in the operation or whose assistance is necessary for carrying out the investments. The coordinating organization handles the tasks of providing information and opinions, making proposals and giving encouragement and even technical assistance. Nevertheless, in practice, not only have the decisions concerning each investment continued to be taken in an entirely autonomous manner by each of the bodies concerned and according to their own procedures, but, in addition, coordination regarding the preparation and carrying out of the projects has continued to be very weak. The main difficulty which has hampered the

completion of the operation has been, without any doubt, the absence of adequate on-the-spot coordination between the various administrative authorities concerned.

2.5. The work of the coordinating committee in gathering information on the investment projects, modifications made to them, the time-limits for completion of the works and the sources of finance, the obstacles to the execution and any possible remedies has so far played an insufficiently meaningful role in the local authorities' decision-making process. The various measures making up the operation have been brought together, but it is difficult to regard them as coordinated, or, *a fortiori*, as integrated: they are simply a collection of the various bodies' programmes, drawn up in the absence of any previously established common reference framework and implemented without common priority criteria.

Planning of the operation

2.6. The integrated operation has lacked proper planning, particularly during its initial stage. In practice, the operation is made up of lists of works which are notified by the various participating administrations. The execution of these works is partly decided upon specifically and partly taken for granted. This results in unrealistic forecasts, either because the projects have not always been finalized from a technical point of view, or because the necessary financing is not always available. Moreover, the investment projects are grouped together in the operation mainly on a geographical basis and without any true criteria for integrating all the financial instruments concerned.

2.7. The investment projects financed — both infrastructure and industrial projects — concern numerous sectors of activity. More judicious selection of projects and greater concentration on priority measures by the local authorities responsible for the integrated operation would have been all the more necessary as the funds available were insufficient to cover all the measures envisaged. Liaison with the regional development programme for the Mezzogiorno is also weak and is confined to a few references or brief descriptions, without any real effect as regards operational decisions.

2.8. Furthermore, the information available on the spot, even allowing for the fact that it is incomplete and not very accurate, relates exclusively to the financial and physical execution of the investment projects. No indication is given as regards the objectives to be achieved, within a given time-limit, by the execution of the projects, whereas proper, effective planning implies the definition of such objectives before any decision is taken about the choice of the projects to be financed; and, moreover, the integrated approach ought to have offered an excellent opportunity for improving the coordination of the measures.

2.9. This situation is illustrated by the works for cleaning up the Bay of Naples, which are one of the oldest main sectors of aid. The system chosen for removing the pollution is based on urban and industrial sewage treatment and, hence, the construction of water treatment plants and sewers.

2.10. At the end of 1986, the cost of the works grouped together under this heading of the operation amounted to 1 757 000 Mio LIT, of which about half had been paid.

2.11. During its on-the-spot audit enquiries, the Court was concerned to find out how much the installations in operation had contributed to cleaning up the bay. To this end, it asked the Italian authorities for the results of laboratory analyses carried out on the effluent from four of the treatment plants (or from those that were already in operation) for which the investment costs totalled 344 000 Mio LIT (*).

2.12. For the first project, the data could not be obtained since the laboratory considered it could not carry out the analyses requested because the sample had been taken by the very persons making the request, which offered no guarantee of its origin. Nor was valid information obtained for the second project because the laboratory's document does no more than state the results of the analyses without mentioning the reference values used, which makes it difficult to interpret them. For the third project, the results exceeded the maximum permitted level of pollution; only in the case of the fourth project were there documented laboratory data conforming to the permitted norms.

2.13. Such findings show that coordination of the services concerned with the cleaning up of the bay needs to be improved and that measures ought to be taken to ensure systematically that the treatment work carried out at the plants is indeed in line, in quantitative and qualitative terms, with the results expected.

Basic documentation available

2.14. The documentation available consists mainly of a 'basic operational file', drawn up by the coordinating organization in the light of the information obtained from the various administrations concerned. This file groups together the investment projects chosen and gives details relating principally to the cost estimates, the forecast time-limits for the execution of the projects, the possible sources of finance, the state of progress and the financial, technical and administrative situation of the various projects.

2.15. Such a file is constantly being adapted and supplemented according to the progress of the works being carried out and the priorities of the contributing authorities. Initially, and for the period 1980-1984, the file indicated that investment projects worth some 5 000 000 Mio LIT (i.e. about 4 120 Mio ECU at the December 1980 exchange rate) would be carried out in 17 sectors, relating mainly to water treatment and other depollution works, water supply, transport infrastructure, and to various initiatives concerning industry, trade, crafts, research or training. At the end of 1984, the total investments planned had risen to about 12 000 000 Mio LIT (i.e. about 8 700 Mio ECU at the December 1984 exchange rate), the difference being the result of currency depreciation, the inclusion in the lists of new projects or amended parts of projects, as well as the entirely provisional nature of some of the forecasts.

2.16. After a first period, which covered the five years 1980-1984, a second operational file was established for the three-year period 1985-1987. The investments included in this second file comprise new projects as well as projects already included in the first file but which it was not possible to carry out, mainly for technical or financial reasons. In the version of this second file that had been updated to 31 December 1986, the investments planned amounted to 6 867 000 Mio LIT (i.e. about 4 800 Mio ECU at the December 1986 exchange rate), the financing of only about 62 % of which had been arranged whilst the financial cover of the remaining 38 % still had to be determined.

2.17. The successive updating of the data in the basic operational file are carried out according to procedures which allow only partial, rough comparisons to be made between the forecasts for a given period and the projects actually carried out. In practice, the lists aim above all at showing, on the date they are drawn up, the state of the projects in terms of their financial cover and the commitments and payments relating to them. On the other hand, they are not intended to enable the state of progress of the projects to be monitored: they are not drawn up on the basis of a consistent, comparable model, and, from one list to another, investments are added, disappear, or are changed and it is difficult to keep a check on them.

2.18. The situation undoubtedly improved during the second period, when many projects were eliminated in order to arrive at more realistic forecasts and better prepared lists. The fact nevertheless remains that the end of the period 1980-1984 ought to have provided an opportunity, both for the Member State and for the Commission, to draw up much more suitable, complete and up-to-date documentation, making it possible to compare the forecasts with what had actually been carried out, and to move forward, with a better knowledge of the facts, to the management of the projects of the second period.

Investment projects carried out and Community aid

2.19. *Annex I* of this report gives an overall picture, as at the end of 1986, of the investment projects for the first and second periods. It was drawn up by the secretariat of the ION on the basis of the data contained in the 'basic operational file'; this latter provides the only available information, since the operation has no actual budget or accounts.

2.20. Of the approximately 12 000 000 Mio LIT of investment projects appearing on the lists of the first operational file, the works carried out by the end of 1986, as recorded by the Working Party entrusted with the supervision and coordination, amounted to 1 886 000 Mio LIT. Even so, it must be borne in mind that this amount includes investments or parts of investments which were still to be carried out at 31 December 1986, but whose financial cover was considered to be assured. In total, 26 structures forming part of the operation had been finished by the end of 1986, involving a total expenditure of 598 000 Mio LIT.

2.21. The documents drawn up by the operation's secretariat in March 1983 reported on a total of 6 722 000 Mio LIT of investment projects which had been begun. It was also stated that these investment projects were receiving financial cover, in the same way, moreover, as other projects, valued at 1 615 000 Mio LIT, which had not yet been started. Compared with the data given in *Table 1, Annex I*, these statements show that there have been several conflicting versions of the data concerning the executions and financings, which those in charge of the operation attribute to the experimental nature of the period.

2.22. In the absence of suitable documents, it is not possible to determine exactly the total Community contribution to the investments included in the integrated operation. For the period 1980-1985, the Commission staff drew up an estimate for the region of Naples showing the data on aid and loan decisions set out in *Table 1*.

2.23. At the level of the Commission's administration, monitoring the integrated operation is mainly the responsibility of the ERDF departments. In practice, of all the forms of aid alluded to in the previous paragraph, only the ERDF aid has been the subject of a separate statement enabling it to be specially monitored, but, even for this aid, the link with the integrated operation is essentially geographical. It is difficult to accept that an analysis of the accounts would not have provided a breakdown, heading by heading, of the Community commitments and payments which the operation has received.

Increasing the resources and speeding up their utilization

2.24. One of the operation's set objectives was to increase financial aid for the Naples area and to speed up the rate at which it is used. As regards the question of increasing the aid, neither the Member State nor the Commission has supplied any information indicating whether there has been such an increase. With regard to Community aid, in particular, the lack of data broken down by region for all of the financial instruments of a structural nature makes it difficult to build up a consistent overall picture.

2.25. The ERDF aid allocated to the geographical region covered by the operation has increased substantially: the Italian quota, and then the aid ranges, have been used increasingly for the Naples area, which, during the 1980-1984 period, received 22 % of the total aid granted by the ERDF to Italy (with a maximum of 39 % in 1982), i.e. a rate about 5 times higher than during the five previous years. Thus, the existence of the operation has resulted in more ERDF aid being granted to the area in question. Nevertheless, enquiries carried out on different occasions by the Court have not made it possible to ascertain whether national, regional or local financings have been similarly increased.

2.26. As regards speeding up the rate at which financial resources are used, the works are still being carried out with considerable delays, linked to the lengthy nature of the compulsory purchase procedures, to the often inevitable law suits and to the approval of various projects. A considerable part of the delay can also be attributed to disagreements between departments and to the long

Table 1 — Aid commitments and loan decisions for the Naples region

(Mio Lit)			
Area	1980-84	1985	Total
Aid			
ERDF	991 000	346 000	1 337 000
EAGGF-Guidance	14 000	1 500	15 500
ESF	42 000	300	42 300
Energy	1 500	21 000	22 500
Sub-total	1 048 500	368 800	1 417 300
Loans			
EIB	611 000	162 000	773 000
NCI & earthquake loans	30 000	—	30 000
ECSC	220 000	—	220 000
Sub-total	861 000	162 000	1 023 000
Total	1 909 500	530 800	2 440 300

discussions which result. In this respect, the Commission has reminded the authorities concerned of the need to speed up the execution of decisions by eliminating any obstacles of an administrative nature.

2.27. An examination of the time-limits laid down and the process followed for carrying out the projects included in the operation has not revealed any special improvement compared with the average for other projects financed by the Commission in Italy. As regards the ERDF more particularly, which, as has already been pointed out, is the only Community financial instrument for which more exact information concerning the operation is available, aid decisions relating to 1978 and 1979 still had to be closed at the end of 1986. In the case of several investment projects, no ERDF aid payments have been made for years because of delays in starting the works or because work has been suspended.

3. THE INTEGRATED OPERATION PROGRAMME IN BELFAST

3.1. The first document containing proposals for integrated operations in Belfast was submitted by the United Kingdom to the Commission in 1981. It aimed to stimulate the renewal of economic and social activities, by integrating and concentrating national and Community resources for the benefit of this city.

Proposed content of the operation

3.2. The document envisaged investments totalling 486 Mio UKL (approximately 860 Mio ECU at the exchange rate obtaining in December 1981) broken down as follows:

- industrial infrastructure 63,3 Mio UKL
- housing and social infrastructure 286,5 Mio UKL
- urban transport 136,2 Mio UKL.

In addition to aid from the traditional Community financial instruments, a special measure was decided upon by the Council and formed the subject of Council Regulation (EEC) No 1739/83 of 21 June 1983⁽⁵⁾. This Regulation, whose preamble makes a brief reference to the file of 'related investment projects' submitted by the Member State, provides for a total of 100 Mio ECU of aid for the urban renewal of Belfast over three years (1983-1985), to be financed by an appropriation entered in the budget especially for this purpose. It also fixes the maximum rate of Community aid at 70 % of the cost of the investment: this limit also applies if several Community

aids are combined. The initial proposal for a regulation submitted in November 1981 by the Commission envisaged a measure in favour of the residential environment. This objective was not adopted by the Council, which did not consider expenditure on housing as being eligible for assistance under Regulation (EEC) No 1739/83.

3.3. A second document, drawn up in 1984 by the same national authorities, continues, for the period subsequent to March 1985, the process begun in 1981, without, however, providing any additional special financing. The second document contains a wide range of infrastructure projects which aim to encourage the growth of the private sector and stimulate general economic renewal. These projects, amounting to 758,6 Mio UKL (equal to 1 287,2 Mio ECU at the December 1985 exchange rate), are divided into three groups, in more detail than in the first document, and are summarized in *Table 2*.

3.4. Expenditure on housing represents 24 % of the whole operation and 50 % of spending by Group I, which is the only one to receive true financial cover as regards its spending.

3.5. Coordinating machinery was set up for the integrated operation, consisting of bodies with advisory powers which existed prior to the implementation of the operation. These bodies were restructured in 1984 in order to allow representatives of the Commission and the private sector to take part in their deliberations. The coordinating machinery contains a committee comprising authorities and representatives of bodies with responsibility in the field of the environment, housing, education and health facilities. Two working parties assist the Committee on matters relating to the town centre (environment, transport, town planning) and the urban programme (operation and development of the urban economy, new initiatives, etc.) respectively.

Integrated aspect of the operation

3.6. Both from the point of view of planning and of the choice of the projects, and the way they are administered and financed, an examination of the operation does not indicate a truly integrated approach or procedures different from those applied to investments which do not form part of the operation.

3.7. Investment proposals by the various Departments concerned are listed together in the documents relating to the operation without any specific attention being paid to integration aspects. In particular, these documents do not indicate either the relationship between projects or groups of projects or which factors are supposed to have the greatest impact on the development process. In practice,

Table 2 — Projects concerning the Belfast area

(Mio UKL)

Sector	Group I: Investments already provided for in public expenditure plans	Group II: Investments considered to be desirable but not yet included in public expenditure plans	Group III: Investments able to be implemented by non-governmental organizations	Total
Housing (public sector)	180,0	—	—	180,0
Roads	38,0	37,0	8,0	83,0
Water and Sewerage	43,0	—	—	43,0
Industrial development	5,0	1,0	134,0	142,0
Commercial development	—	2,0		
Improvement of the environment	4,0	2,3	—	6,3
Training	20,0	0,2	0,2	20,4
Transport	0,1	1,0	49,0	50,1
Social services	0,8	9,0	0,5	10,3
Leisure activities	1,8	14,0	—	15,8
Tourism	18,6	35,0	6,0	59,6
Road drainage	7,3	0,2	—	7,5
Hospitals	18,4	4,8	—	23,2
Schools	7,8	33,8	—	41,6
Telecommunications	—	4,9	25,0	29,9
Other	15,3	24,9	5,7	45,9
Total	360,1	170,1	228,4	758,6

the coordination group retains unchanged the priorities and deadlines established by the various departments that submit projects.

3.8. The same observation applies to the applications for assistance made under Council Regulation (EEC) No 1739/83, Article 3 of which lays down that an annual list of the projects for which finance is requested shall be submitted by the United Kingdom to the Commission. The on-the-spot checks carried out by the Court revealed that the 1983 list had been drawn up, with a view to its being submitted to the Commission, on the basis of oral contacts between the Department responsible for relations with the EEC and the other Northern Ireland Departments. The 1984 and 1985 lists were drawn up following a similar procedure, even though requests to the Departments were submitted in writing.

3.9. The coordinating machinery that was set up for the integrated operation has a mainly advisory rôle: responsibility for the decision to carry out an investment project lies solely with the authorities responsible for the various project sectors. The authorities comprising this machinery already existed prior to the creation of the integrated operation. Whilst the organization has been adapted to make provision for the Commission's participation at meetings, it has not been amended to take account of the specific tasks to be accomplished by the operation. These tasks are in fact confined to issuing opinions on the documents to be submitted to the Commission and providing information on the progress of the work, without actually touching upon such matters as implementation deadlines, priorities and relations between projects.

3.10. The financing system has likewise not been amended in the light of the requirements of the integrated operation. Only investments under Group I receive financial cover, and the appropriations needed to implement them are managed independently by the various specialized authorities. Transfers of financial allocations may only be made between projects managed by the same authority.

Progress of the operation

3.11. Neither the Member State nor the Commission has drawn up a special account for the integrated operation, showing the progress of the various sections of the programme. The absence of any relevant financial document also gives grounds for supposing that there is no real management of the integrated operation nor, *a fortiori*, any real assessment of its results.

3.12. The Northern Ireland authorities say that approximately 320 Mio UKL in investments, that is, approximately 65 % of the 486 Mio UKL stipulated in the 1981 document, had been used by the end of the budgetary year 1985-1986, i.e. by 31 March 1986. The degree of implementation probably varies from one sector of the programme to another, but the information available on the subject is not precise enough to tell.

3.13. With regard to the special measure provided for under Council Regulation (EEC) No 1739/83, the

Table 3 — Specific measure provided for by Regulation EEC No 1739/83

Year	Aid granted (ECU)	Payments (ECU)	Number of projects
1983	32 369 268 ⁽¹⁾	32 369 268	71
1984	32 787 403	26 229 922	90
1985	34 000 000	27 200 000	105
Total	99 156 671	85 799 190	266

(¹) For 1983, the decisions to grant aid were adopted in UKL (18 659 072 UKL).

accounting situation may be established and the main data summarized, on the basis of the position in March 1987, as set out in *Table 3*.

3.14. A similar accounting statement is not, however, drawn up at either Commission or national level for the total amount of Community aid granted to the various categories of investment included in the integrated operation. Such a shortcoming is particularly regrettable as regards the Commission, which ought at least to have a summary account of the Community commitments and payments relating to the operation. This being so, the Commission departments have assessed the total ERDF aid allocated between 1981 and 1985 to the geographical area covered by the integrated operation on the basis of their own researches and using data taken from various documents. The figure they arrived at was approximately 36 Mio UKL. The total assistance granted from the Social Fund and from EAGGF Guidance section and energy appropriations for the same period and covering the same area is apparently somewhere in the region of 5 Mio UKL.

3.15. In practice, at national and Community level, monitoring of the integrated operation is confined to the monitoring of the application of Council Regulation (EEC) No 1739/83 which provides for an exceptional measure to promote urban renewal in Belfast. This Regulation itself has been managed more as a supplementary measure attached to the ERDF than as a component part of an integrated operation.

Additional nature of the aid provided for by Council Regulation (EEC) No 1739/83

3.16. According to Article 5 of Council Regulation (EEC) No 1739/83, the United Kingdom is required to provide the Commission with all the information it needs to satisfy itself that the Community aid is additional to the total volume of national expenditure allocated to the investment projects necessary for urban renewal. The granting of the Community aid is subject to it being established that it is indeed additional to national aid.

3.17. The data obtained by the Court from the Member State authorities reveal that investment expenditure on urban renewal in the Belfast area between 1981 and 1984 was as shown in *Table 4*.

3.18. There was an increase of 45,7 Mio UKL for housing expenditure and 0,5 Mio UKL for other investments for the period under consideration. Similar information for 1984/85 was not available for the Belfast area but only for the whole of Northern Ireland. For the period 1981/85 as a whole, the data were as indicated in *Table 5*, i.e. an increase over the whole period of 84,4 Mio UKL for housing expenditure and a reduction of 26,7 Mio UKL for the other expenditure.

3.19. It is thus obvious that the extra investment was mainly in housing, that is, a category of expenditure which was not eligible for the assistance provided for under Council Regulation (EEC) No 1739/83. In practice, the appropriations have therefore been used to increase the finance available for investment in housing, without the Commission having had the opportunity to take stock of the housing situation or to guarantee optimum conditions for the effectiveness of the operations, since an area not covered by the Regulation is involved.

Table 4 — Expenditure on investment in urban renewal in the Belfast area

Nature of expenditure	(Mio UKL)		
	1981/82	1982/83	1983/84
Expenditure on housing	100,5	140,6	146,2
Expenditure on sectors other than housing	41,0	39,6	41,5
Total	141,5	180,2	187,7

Table 5 — Expenditure on investment in urban renewal in Northern Ireland as a whole

Nature of expenditure	(Mio UKL)		
	1981/82	1982/83	1984/85
Expenditure on housing	191,5	257,6	275,9
Expenditure on sectors other than housing	85,6	76,4	58,9
Total	277,1	334,0	334,8

4. THE INTEGRATED DEVELOPMENT PROGRAMMES FOR THE WESTERN ISLES OF SCOTLAND, LOZÈRE AND THE SOUTH EAST OF BELGIUM

4.1. Within the framework of the Community financing of agricultural structures, provisions for an integrated approach were adopted in the form of three Council Regulations (EEC) Nos 1939/81, 1940/81 and 1941/81 on 30 June 1981 (6). This legislation makes provision for three measures, each of which is to contribute to the implementation of an integrated development programme in the Western Isles of Scotland, the department of Lozère and the South East of Belgium. While the Naples and Belfast operations are mostly of an ERDF or near-ERDF nature, the three integrated programmes examined below are essentially agricultural and their agricultural aspects alone have been recorded.

Content of the Regulations

4.2. The three Regulations lay down the general objectives of the integrated programmes and state that the latter must cover not only measures to improve agriculture and agricultural products but also measures relating to tourist amenities, crafts, industry and other complementary activities essential to the improvement of the general socio-economic situation of the areas under consideration.

4.3. In reality, the agricultural measures, which are the only ones in respect of which specific financing has been allocated, are also the only ones to have been set out in detail. In the case of the ERDF and Social Fund operations, the Regulations contain a mere reference stating that the instruments available must be combined and implemented in an integrated fashion, without stipulating what such integration should consist of or how it should be achieved. The Regulations therefore contain hardly any elements which facilitate the required preparation of the integrated programmes.

4.4. The duration of the measures is five years as from the date of notification of the Commission's opinion on the programmes submitted to it by each of the three Member States concerned. Aid from the Guidance Section of the EAGGF to promote agricultural measures is estimated at 13 Mio ECU, 12 Mio ECU and 5 Mio ECU, respectively, for each of the three Regulations and is covered by specific appropriations to be earmarked for this purpose in the budget. There are no figures for the amount borne by the other Community Funds, which implies that it must be financed by the usual appropriations opened for granting aid from these funds. In the case of the Lozère operation, the period was increased to seven years and the estimated cost was cut to 8 Mio ECU by the Council on 19 October 1987 (7).

4.5. In the case of the first two Regulations, EAGGF Guidance section aid amounts to 40 % of eligible expenditure: unlike these Regulations, the Regulation for the South East of Belgium constitutes a direct measure, and reimbursement from the Guidance Section is 35 % of eligible expenditure. The first two programmes were the subject of a Commission opinion on 5 April 1982 (Lozère) and 23 June 1982 (Western Isles of Scotland). With regard to the third programme, the opinion was partly delivered in December 1984 and partly in July 1986 (see paragraph 4.14 below). A revision of the programme for the Western Isles of Scotland was submitted by the Member State on 6 November 1985 and was the subject of a Commission opinion on 13 February 1986.

Content of the programmes

4.6. The content of the programmes which were drawn up for each of the three Regulations hardly differs, in essence, from that of the programmes which are usually drawn up for regional agricultural measures. The possibility of other types of operation has been added to the agricultural measures (amenities, crafts, tourism, training), without any indication of the links which may exist between the component parts and, *a fortiori*, without examining the possibility of interaction and without any assessment of the combinations of operation likely to have the greatest impact on the development potential of the areas in question.

4.7. On-the-spot audits by the Court have, moreover, revealed that the respective authorities enjoy virtual autonomy in planning and implementing the programmes. Coordination committees do exist, as for the integrated operations examined above, but their rôle is purely advisory, and their operations are purely formal, in particular because, since the various sub-programmes have not been planned in an integrated manner, they are carried out separately from one another, without any apparent interaction.

4.8. As regards the Western Isles of Scotland, the operations to be financed from the 13 Mio ECU shown in Council Regulation (EEC) No 1939/81 concern agriculture and fisheries. The investment expenditure amounting to 19,600 Mio UKL in the initial programme was increased to 24,851 Mio UKL in the revised document, the part implemented as at 31 December 1986 totalling 18,555 Mio UKL.

4.9. The parts of the programme relating to infrastructures (roads, ports, sewers, etc.) and non-agricultural activities (tourism, textile activities, crafts, etc.) provide for a total amount of eligible expenditure of 33,512 Mio UKL and a Community operation of 13,611 Mio UKL, 13,211 Mio UKL of which is to be borne by the ERDF and 0,400 Mio UKL by the Social Fund. Precise information

regarding the progress of these infrastructure and non-agricultural measures was not available at the beginning of 1987.

4.10. The agricultural measures stipulated under the Lozère programme and the relevant Community expenditure may be summarized as set out in *Table 6*.

4.11. In the case of the ERDF, the same programme shows total investments of 224 174 000 FF, with a Community contribution of 48 890 750 FF, to be paid exclusively within the framework of Council Regulation (EEC) No 2615/80 of 7 October 1980 ⁽⁸⁾ instituting a non-quota ERDF measure in the context of Community enlargement. It is not however possible to ascertain from the Community documentation on the non-quota measure whether this aid has been implemented. The programme does not give detailed estimates of expenditure to be borne by the Social Fund, stating only that the Fund contributes to various types of vocational training. In the absence of any specific accounts for the integrated development programme, the Commission's staff estimate, on the basis of examination of various documents, that at the end of 1985 the Community payments were 7,7 Mio FF in the case of the ERDF and 4,3 Mio FF for the Social Fund. On the basis of the documents available, it is not possible to compare the operations financed with those proposed by the programme.

4.12. The programme for South-East Belgium provides, firstly, for agricultural measures amounting to 614,4 Mio BFR, of which 215 Mio BFR is to be borne by the EEC and 399,4 Mio BFR is to be split in two halves between the national and the regional budgets. These measures are principally concerned with analysis of agricultural problems at farm level, with new types of agricultural production and new technologies in agriculture, as well as the improvement of agricultural infrastructure. At the end of 1986, Community commitments and payments under this heading amounted to 14,32 Mio BFR and 3,05 Mio BFR respectively.

Table 6 — Agricultural measures included in the integrated development programme for the department of Lozère

(ECU)

Project type	Community expenditure provided per programme	Implementation at 31.12.1986
Land and pastoral improvement	4 494 560	1 717 873
Reallocation of land	2 088 000	536 813
Cattle and sheep farming	4 107 200	1 203 406
Chestnut plantations, winter insulation, forest clearances, preparatory costs	1 310 240	181 110
Total	12 000 000 ⁽¹⁾	3 639 202

⁽¹⁾ Under the terms of Council Regulation (EEC) 3158/87 of 19 October 1987, the Community contribution was cut from 12 Mio ECU to 8 Mio ECU. See para 4.4.

4.13. As regards the non-agricultural measures in this programme, the total is assessed at 20,782 Mio BFR, of which 18,057 Mio BFR is to be borne by the region of Wallonia, 1,795 Mio BFR by the French-speaking Community and 0,930 Mio BFR by the German-speaking Community. The programme states that it concerns outline policies to be followed without regard to sections and arrangements laid down in budgets and it provides no indication as to the amount of any Community participation.

4.14. The draft programme for South-East Belgium was not submitted to the Commission until January 1984 and, furthermore, the examination procedure had to be split into two stages, one for the agricultural and one for the non-agricultural measures. In December 1984, the Commission adopted an opinion, in respect of agricultural measures only, whilst in the case of the non-agricultural measures it requested the Member State, in April 1986, to submit an amended version of the document, which it did, and the document was the subject of an opinion in July 1986. A procedure of this kind, whereby the agricultural element is accepted before the other components have been adopted, is hardly in line with the requirements for the preparation of an integrated programme.

Implementation

4.15. There is no document which provides an overall picture of the state of progress on each programme. Periodic statements are drawn up only in respect of agricultural measures financed out of the specific amounts provided by the three Regulations. As regards the other measures, it is unfortunately only possible to deduce information as to the Community assistance allocated to investments located in the three areas by means of cross-references to documents drawn up in connection with the management of the various Funds, insofar as these documents relate to geographical divisions which correspond to those covered by the three Regulations. A situation like this is all the more unacceptable as, even on this assumption, the reconciliation is made only on a geographical basis, without it being possible to establish any integrational link between the various initiatives financed as part of the programme.

4.16. In the case of the agricultural measures, there was found to be a satisfactory level of implementation at the end of 1985 in the case of the Western Isles of Scotland, subject, however, to the observations formulated in paragraphs 4.17 and 4.18 below. The level remained low in the case of Lozère (approximately 30 %), even though the Regulation dates from June 1981 and the programme from April 1982. As for South-East Belgium, implementation had barely begun in 1985 as there had been delays in drawing up the programme, as observed above.

4.17. The only one of the three agricultural schemes on which a significant percentage of payments has been made

so far, is, therefore, the one involving the Western Isles. In this case, the total initial forecast for agricultural expenditure of 19,600 Mio UKL included 3 Mio UKL for land improvement. At the end of 1985, out of total expenditure of 14,954 Mio UKL, the amount spent on land improvement was 7,883 Mio UKL, rising to 11,631 Mio UKL in the revised programme out of a total of 24,851 Mio UKL.

4.18. The on-the-spot audit visits by the Court showed that the land improvement consisted mainly of putting up fences between fields and between farms. Work of this kind helps to increase property values, but unless it is combined with other measures it has only a slight effect on agricultural activity. In the revised programme the expenditure forecasts for stock-rearing, vocational training and development plans have suffered cutbacks of 23 % to 60 %, thus weakening the integrational element in these measures still further, even on the agricultural side. Furthermore, the high rate of subsidy, which may be up to 85 % for fencing work of this kind, shows that these measures offer little prospect of development and cost-effectiveness.

5. PILOT MEASURES IN PREPARATION FOR THE INTEGRATED MEDITERRANEAN PROGRAMMES

5.1. In 1983 the Commission submitted to the Council its first proposal for a regulation instituting integrated Mediterranean programmes (IMPs) in three Community countries: Greece, France and Italy. The budget for that financial year created a budget article (Article 550) provided with appropriations (8 Mio ECU of non-differentiated appropriations) to finance preparatory pilot measures. These measures are not based on any regulation and are in fact of a purely experimental nature, which also explains why they were originally expected to end in 1985. The aim of such measures is to discover and to test in concrete form, on the ground and at various Community, national and local levels, the methods of financial and administrative management most suited to an integrated approach, with a view to the preparation of the IMPs.

Content of the measures

5.2. In principle, each preparatory pilot scheme relates to a specific area and consists of several homogeneous and coherent measures financed by the existing Funds. The Funds' terms of reference have therefore not been modified, as the appropriations against Article 550 allow financing in addition to the support from the Funds, in the form of a higher rate of reimbursement or expenditure relating to a

larger number of investments. In the case of six pilot schemes, however, the Community support concerns only Article 550, which leads one to query whether they are of an integrated nature.

5.3. In addition to the 1983 appropriations already mentioned (8 Mio ECU), other appropriations have been allocated by the budgets for the following financial years: 10 Mio ECU in non-differentiated appropriations in 1984, 20 Mio ECU in commitment appropriations and 10 Mio ECU in payment appropriations in 1985, 20 Mio ECU in commitment appropriations and 15 Mio ECU in payment appropriations in 1986 and payment appropriations of 7,894 Mio ECU in 1987. The sums granted mainly concerned 25 preparatory pilot schemes: 13 on which decisions were given in December 1983 and subsequently amended in December 1984, two on which decisions were given in December 1985, four from August 1986 as well as the six schemes mentioned in the preceding paragraph, on which decisions were given in 1985 and 1986.

5.4. The operations envisaged were supposed to be selected on the basis of their interest from the point of view of the preparation of the IMPs, as well as that of the implementation possibilities, especially if existing financial instruments could be used. The content was to be defined in cooperation with the authorities concerned in the Member States, particularly as regards the description of the operations, the sources of financing and the administrative procedures to be followed.

5.5. In practice, the decisions relating to pilot schemes either give no concrete indication of the measures intended to ensure that the operations are of an integrated nature, or they refer to procedures which are to be worked out subsequently and which remain imprecise. Deficiencies of this kind, which can be explained partly by the experimental nature of the schemes, have helped to make the implementation of the projects even more difficult.

Integrated aspect of the measures

5.6. The management system which the Commission has established for the preparatory pilot schemes is based on an 'inter-departmental group', consisting of representatives of the various Directorates General involved or other operational units, and subject to the authority of an open-ended group of Members of the Commission. A technical group has also been set up for each scheme, consisting of representatives of the Directorates General most involved and a coordinator, who is responsible for ensuring that operations proceed in a coordinated manner. The Directorate General for coordination of structural instruments is responsible for management of the Article 550 appropriations, and the appropriations for the other structural Funds are administered by the various Directorates General responsible, in accordance with the usual statutory and administrative provisions.

5.7. If the experimental nature of the preparatory pilot schemes was to bear fruit, the groundwork for them should have included precise and systematic analysis of the concepts used, the concrete results sought and obtained, and the obstacles encountered. In reality, very little information is available on this subject. The decision establishing the preparatory pilot scheme contains a financing plan which refers to various national and Community instruments, but it does not permit identification of the substance of the scheme, the dominant characteristics which are intended to distinguish the integrated approach from a simple juxtaposition of financings.

5.8. At the implementation stage, the deficiencies prove to be still more considerable because there is virtually no overall monitoring of each scheme, whether from the point of view of progress of operations or experimental management methods. At the very least, the tasks incumbent on the coordinators should have been defined more precisely, in terms of concrete objectives and the procedures to be applied.

5.9. The aims of an integrated approach, which may have been outlined at the decision stages, were not followed up in practice, and in the absence of any adaptation of the intervention procedures of the various existing Funds management of the appropriations opened against Article 550 is likely to develop into an additional autonomous financial instrument. A development of this kind would not improve the integration of the various components and might even lead to a kind of increased competition between the financial instruments.

5.10. The concern to try out the possibilities of the integrated approach, which is the *raison d'être* of the preparatory pilot schemes, has also been watered down by the increase in the number of these schemes, which have risen from 13 in 1983 to 25 in 1986. An important part of the administrative work has therefore been taken up with questions associated with the grant of new financings, to the detriment of examination of the lessons to be learnt from the initial schemes. Such a 'scatter effect' is particularly worthy of mention since, of the new preparatory pilot schemes, six are being financed solely out of the Article 550 appropriations, and are therefore being organized in a context other than that of an integrated approach to Community financial instruments.

Implementation of the decisions

5.11. A list of preparatory pilot schemes is given in *Annex II* of the present report, which also gives details of the expected duration of the projects, the aid given, and any available figures concerning the state of progress on the scheme.

5.12. Of the 25 preparatory pilot schemes financed, three were deemed to have been completed at the beginning of 1987. The deadlines for completion have therefore been

considerably extended, since it was initially envisaged that 13 schemes would be finished by the end of 1985. It follows that there was also a considerable delay before the conclusions that could be drawn from the experience of these schemes became available.

5.13. As regards both completed and current measures, there is no document which gives any information on the overall state of progress on each scheme, whether in physical or financial terms, and which would provide a basis for comparison of estimated and actual figures. The information which the Court has obtained on this subject relates only to the take-up of Article 550 appropriations and not those relating to aid granted from the traditional Funds. In the light of this finding, it seems likely that, in the absence of any centralization of financial data, the monitoring of preparatory pilot schemes is in practice confined to monitoring financial operations financed from Article 550 appropriations.

5.14. It is essential to have sufficiently detailed and well-produced documentation if the implementation of the schemes is to be monitored, but the financial mechanisms in force at Community level rarely provide details of the expenditure borne by the Funds in a particular area. In many cases (e.g. compensatory allowance for farming in upland areas, vocational training aid, measures to promote forestry, various subsidies for infrastructure works etc.) decisions both to grant and to pay out aid are taken on presentation of general documents relating to the whole of a country or region, without it being possible to identify the section relating to a more specific area.

5.15. Each decision instituting pilot schemes also specifies that a report is to be submitted to the Commission by the Member States within three months of the completion of operations. The object of this report is to draw any conclusions which may be useful in the implementation of the IMPs. By the beginning of 1987, however, no such document had been received by the Commission, even in the case of the three schemes which were deemed to have been completed, which means therefore that the first IMPs had been approved by the Commission in the meantime without any support from documents of this kind.

6. CONCLUSIONS

6.1. Even if their experimental nature is taken into account, all the ventures involving an integrated approach which have been examined in this report lead to disappointing conclusions. The integrated aspect of the ventures is confined to a few references or formal methods of presentation which appear in the financing decision and are usually lost from sight at the implementation stage. In administrative practice, management of the integrated measures is in fact reduced to management of supplementary appropriations allocated on this score by special regulations or particular decisions.

6.2. At Community level, management procedures in respect of the various financial instruments have not been adapted to take account of the requirements and objectives of an integrated approach. In practice the schemes financed are confined to the one aspect (regional, agricultural, supplementary appropriations from Article 550) in the context of which they arose; at the most they simply aim, in the absence of any suitable organization and documentation, to group together the aid allocated by the different Funds on a geographical basis.

6.3. At local level, the groups which are more specifically intended to bring about integration play only a marginal rôle, without any real influence on the utilization of appropriations, a situation which obviously limits what the Commission can do.

6.4. The absence of a suitable accounting framework means that information on the real content and precise state of progress of the initiatives financed is lacking. In the case of the Naples operation, and in view also of the amount of Community aid involved, there is a permanent administrative system which provides summary documents at intervals. Nevertheless, these statements lack precision and any interpretation of them is open to question; at best they merely regroup data on the sources of finance for a given geographical area, without establishing in any way the consistency of the schemes or the coordinated use of resources. As regards the various other integrated ventures, there is a lack of comprehensive accounting documents and this lack of documentation is echoed in the case of the progress reports and, *a fortiori*, the monitoring of the schemes and evaluation of their results. The same deficiencies exist at Community level, which is even less acceptable, as the Commission ought to be in a position to present summary accounts for all the financial transactions relating to each integrated scheme.

6.5. Nor is it possible, on the basis of the partial data available, to detect any acceleration in the progress of the work or any improvement in the rate of utilization of the appropriations. On this point, the state of the investments examined was entirely comparable to that of the other projects usually financed by the Funds. On the qualitative

side, the decisions and programmes provide very little concrete indication as to the expected improvement in the impact of intervention or any spin-off which might be expected. The observations formulated in paragraphs 2.9 to 2.13, 3.19, 4.17 and 4.18 above show that greater attention should be paid to the impact of intervention.

6.6. The European Parliament's Committee on Budgetary Control recently produced a report on budgetary control of the effectiveness of the structural Funds⁽⁵⁾. It points out that, in the case of integrated measures, it is not yet possible to talk about unity at the legal and operational levels, which means that the decision-taking procedures are extremely confused and leads to the adoption of simple 'declarations of intent', implementation of which is linked to compliance with the provisions governing each of the instruments.

6.7. The integrated measures label, and the associated financings, cannot be awarded without conditions. At the very least, they require the scheme in question to be the object of proper comprehensive programming and they also require it to be implemented in accordance with a precise set of procedures covering the full content of the operation.

6.8. If administrative action is to be effective, it needs a form of organization which is in harmony with the objectives pursued. Such a form of organization has been largely wanting as far as the measures looked at in this report are concerned. For the purpose of preparing the integrated Mediterranean programmes, the Commission has defined and set up a series of procedures which are intended to solve some of the difficulties encountered in the past. All the same, care must be taken to ensure that these procedures are actually implemented, so as to avoid any repetition of the inconveniences pointed out in this report, especially as regards the question of coordinated management of Community aid and the follow-up to it. The reform of the structural funds which is at present underway should also make it possible to improve the conditions for Community intervention in this field and increase its effectiveness.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 May 1988.

For the Court of Auditors

Marcel MART

President

⁽¹⁾ Doc. COM(86) 401 final/2.

⁽²⁾ Council Regulation (EEC) 2088/85 of 23 July 1985, OJ L 197, 27.7.1985, p. 1.

⁽³⁾ OJ C 5, 10.1.1984, p.3, para. 2.2A.

⁽⁴⁾ Cuma (first and second phase), Nola, (first phase), Acerra, Fore Regi Legni (first phase).

⁽⁵⁾ OJ L 171, 29.6.1983, p. 1.

⁽⁶⁾ OJ L 197, 20.7.1981, p. 6, 9 and 13.

⁽⁷⁾ Council Regulation (EEC) 3158/87 of 19 October 1987, OJ L 301, 24.10.1987, p. 4.

⁽⁸⁾ OJ L 271, 15.10.1980, p. 1.

⁽⁹⁾ Session document A-159/87, of 5.10.1987.

ANNEX 1

NAPLES OPERATION – OUTLINE OF INVESTMENTS AS AT END-1986

(Mio LIT)

Type of project aided	I	II				I + II
	1980-1984 ⁽¹⁾	1985-1987 ⁽²⁾		Total II	%	Total 1980-1987
		Financial cover				
		existing	to be found			
1. Urban projects	92 000	120 000	323 000	443 000	6,5	535 000
2. Sanitary infrastructure	1 082 000	567 000	108 000	675 000	9,8	1 757 000
3. Water supply	444 000	283 000	24 000	307 000	4,5	751 000
4. Urban transport	26 000	461 000	734 000	1 195 000	17,4	1 221 000
5. Extra-urban transport	2 000	545 000	470 000	1 015 000	14,8	1 017 000
6. Urban road network	14 000	747 000	153 000	900 000	13,1	914 000
7. Extra-urban road network	11 000	627 000	—	627 000	9,1	638 000
8. Ports and airports	77 000	35 000	235 000	270 000	3,9	347 000
9. Commercial infrastructure	48 000	100 000	—	100 000	1,5	148 000
10. Industrial infrastructure	14 000	409 000	61 000	470 000	6,8	484 000
11. Industrial projects	—	—	345 000	345 000	5,0	345 000
12. Agricultural operations	57 000	151 000	—	151 000	2,2	208 000
13. Vocational training	—	43 000	43 000	86 000	1,3	86 000
14. Scientific research	19 000	165 000	118 000	283 000	4,1	302 000
Total	1 886 000	4 253 000	2 614 000	6 867 000	100,0	8 753 000

Source: OPIN General Secretariat

⁽¹⁾ Current or completed projects for which financial cover exists.⁽²⁾ New projects or projects included in the 1980-84 programme, requiring financial integration or technical revision.

ANNEX II
PREPARATORY PILOT SCHEMES

(1 000 ECU)

Pilot schemes — decisions published in the OJ

Operation	Dates		Total cost (¹)	EEC Contribution		Commitments at 31.8.87		Payments at 31.8.87	
	Start	End		Art. 550	Other (²)	Art. 550	Other	Art. 550	Other
Abruzzi	12/83	12/85	6 376,4	1 165,7	2 642,2	1 024,8	(³)	881,4	(³)
Lazio	12/83	12/85	1 628,0	1 366,3	409,0	1 805,0	*	1 462,6	*
		P 12/86	1 150,0	575,0					
Fisheries Italy Sardinia	12/83	11/85	2 778,0	1 941,3	1 320,0	729,0	*	729,0	*
		12/85	9 927,0	2 377,4			*		*
		P 12/86	480,0	240,0	3 707,3	2 291,8	*	1 667,8	*
Umbria	12/83	3/87	10 407,0	2 617,4			*		*
		P 11/87	2 834,0	1 339,4	146,0	1 339,4	*	1 061,2	*
Basilicata	8/85	8/87	8 345,5	1 341,7	3 359,0	293,0	*	234,4	*
Calabria	8/85	8/87	8 350,0	997,6	3 676,2	181,0	*	72,4	*
		P 11/87					*		*
Sicily	8/85	8/87	11 262,5	1 778,0	4 386,0	220,0	*	88,0	*
		P 10/87					*		*
Tuscany	8/85	8/87	6 340,3	1 542,0	342,0	1 994,9	*	798,0	*
		P 12/87	906,0	453,0			*		*
Corsica	12/83	12/85	7 246,3	1 995,0			*		*
		P 12/86	4 826,8	2 276,5	412,3	2 241,2	*	1 701,6	*
Hérault	12/83	12/85	3 405,9	698,7	550,4	698,7	*	571,4	*
		P 12/86					*		*
Fisheries France	12/83	11/85	1 118,0	459,0	300,0	292,1	*	284,1	*
		P 12/85					*		*
Lesbos	12/83	12/85	5 270,5	1 869,4	1 749,4	1 706,8	*	1 032,8	*
		P 12/86	879,0	490,5			*		*
Fisheries Greece	12/83	11/85	6 149,5	2 359,9	880,0	907,9	*	324,7	*
		P 12/86	2 358,0	927,0			*		*
Ioannina	12/83	12/85	5 718,5	1 239,2	2 024,7	1 009,7	*	518,3	*
		P 12/86					*		*
Evritania	12/83	12/85	12 688,3	2 087,7	3 433,1	1 648,3	*	820,5	*
		P 12/86					*		*
Prespes	12/83	12/85	5 801,5	2 335,1	1 944,2	1 904,2	*	956,4	*
		P 12/86					*		*
Lemnos	12/83	12/85	4 922,3	1 680,7	1 878,0	1 243,3	*	892,6	*
		P 12/86					*		*
Grevena	12/85	12/86	7 298,2	1 760,8	2 516,2	1 216,6	*	733,8	*

Pilot schemes - decisions not published relating only to Art. 550 of the budget.

Lescar. Pyr. Atl.	12/85	12/86	510,0	91,8	NC	91,8	NC	33,3	NC
Gard	12/85	12/86	321,7	97,5	*	97,5	*	39,0	*
Valensole	12/85	12/86	664,0	219,4	*	219,4	*	87,8	*
Tarn-et-Garonne	12/85	12/86	480,0	240,0	*	240,0	*	96,0	*
Moyen Lot	12/85	12/86	1 320,0	232,0	*	232,0	*	92,8	*
Kalamata	9/86	12/87	22 232,0	15 000,0	*	14 962,0	*	5 984,8	*

(1) = including EEC participation

(2) = ERDF, EAGGF, Social Fund

(3) = figures not yet available

P = extension

NC = not applicable

THE COMMISSION'S REPLIES

General

1. Without denying the problems of such an approach, the Commission has always viewed integration as a way of enhancing the effectiveness of the structural measures carried out by the Community.

Faced with the very considerable requirements of the Member States, the Community has, in response to budgetary realities, been attempting for about ten years to secure more effective deployment of the structural instruments, i.e. Community grants and loans. Thus, coordination of structural instruments began in the late 1970s. In November 1978 the Commission espoused for the first time the concept of 'integrated operation' and in March 1979 it adopted a number of provisions on the implementation of integrated operations, with the following deserving particular attention:

- each member of the Commission concerned, for example, with structural, social, regional or agricultural problems was empowered to initiate the launching of an integrated operation;
- the integration objectives to be laid down were to relate primarily to joint action by the different authorities concerned (at national and at Community level), the purpose being to increase financial flows to the region or area in question and to eliminate both financial and administrative bottlenecks

This led in the early 1980s to the launching of the Naples and Belfast operations, the integrated development programmes (IDPs) and the first preparatory studies for integrated development operations (IDOs), and in 1983, ahead of enlargement, to the launching of the first measures in preparation for the integrated Mediterranean programmes (IMPs), the Commission's concern being to improve steadily the effectiveness of Community structural measures so as to cope with a wide variety of situations.

The basic idea, however, has remained the same: to deploy simultaneously, and in conjunction with national instruments, several of the Community's structural instruments for the development of a particular area affected by structural difficulties, in order to produce greater synergy than would result from separate deployment of the structural instruments and hence to do so at the lowest possible cost.

2. The problems raised by the Court are due, for the most part, to:

(a) *the experimental nature of the operations examined*

The decision to focus attention on the Naples and Belfast operations, the IDPs and the measures in preparation for the IMPs cannot serve as a valid basis for a definitive assessment of the integrated approach in the Community financing of the four types of structural measure. The four examples selected by the Court were largely experimental. The Commission, moreover, has adopted an empirical approach, notable chiefly for the lack of any harmonized framework. In addition, the four measures examined by the Court are still being implemented;

(b) *the highly complex nature of Community structural measures*

Numerous sources of financing are mobilized by the Community, each according to its own operating rules. Since co-financing is invariably the method employed, many different bodies are involved, both at Community and at national level. In each Member State, the Commission has to deal with many different levels of responsibility, both nationally and regionally.

This is why the integrated approaches examined by the Court, and even those launched more recently, suffer a great deal from the drawbacks that are inherent in any structural action by the Community and that the reform of the Funds, when implemented, could substantially alleviate.

3. An analysis of the integrated approaches launched more recently would show that:

(a) *the early experiences with the integrated approach helped pave the way for the launching of the IDOs and the IMPs*

They identified the needs that existed, notably with regard to:

- harmonization of the various integrated-approach models, from the viewpoint of their legal

framework and as to their conceptual and implementation aspects, it being understood that an integrated approach should always be flexible and hence adaptable to the wide variety of situations encountered;

- the supporting legal and administrative arrangements for the integrated operations to be launched on the basis of preparatory studies;
- the Commission's internal organization, which was modified in September 1985 in order to reinforce the departments responsible for coordination.

On this last point, it should be stressed that the effort should not come solely from the Commission but that national administrations, local authorities and the parties concerned should at the same time strive similarly to improve cooperation and coordination.

Together with the seven IDOs, the fifteen or so IMPs launched two years ago on the basis of the Commission's information note on the procedures and content for the implementation of an integrated approach (COM(86) 401) go a very long way towards answering the Court's criticisms, especially with regard to the following:

- a multiannual programme of measures that are consistent with one another and with Community priorities and that take account of the specific needs of the geographical area and/or sectors concerned;
- an integrated financial plan, with an indication of financial resources and of the main supplies of finance;
- effective monitoring of operations in the field;
- implementation arrangements ensuring coordination between those responsible for administering the financial measures, and a Monitoring Committee responsible for keeping track of effective implementation of the planned operations and for evaluating them;

(b) *the integrated approach should benefit from the reform of the Funds once this has been completed*

The reform of the Funds, which was announced in the comprehensive proposal pursuant to Article 130d of the EEC Treaty and the details of which are to be set out in the various implementing instruments, should make it easier to draw up integrated programmes in

cases where this form of assistance is the most effective. There are two reasons for this:

- broadly speaking, the reform being worked out advocates a new method of assistance for Community structural measures, and
- with specific regard to the integrated approach, the reform, in the shape of the Regulation on the coordination of the structural Funds, will lay down common programming rules.

2. THE NAPLES INTEGRATED DEVELOPMENT OPERATION

2.1. The problems mentioned by the Court — inadequate basic infrastructure in the Naples urban area, transport, pollution of the Gulf of Naples and water supply — were aggravated by the considerable damage caused by the earthquake in November 1980.

The coordination structure and planning of the operation

2.2. See the reply under 'General'.

2.3 to 2.13. The Court's assessment of the planning and implementation of the operation calls for qualification.

In the Commission's opinion, the support and fact-finding approach which it has pursued, in conjunction with the national authorities, has created the necessary conditions for producing synergies and highlighting a number of priority objectives.

It has also made it possible to select locally investment projects which not only are of a priority nature but the technical and financial aspects of which are also such as to guarantee that they can be implemented in the shortest possible time. The Commission takes the view that, because it is pragmatic and operational, this is the only possible and effective approach to adopt.

In fact, in many cases, the Commission's departments have been able to act as a catalyst in channelling towards priority projects resources that were being only slowly mobilized. This is true both of national resources (e.g. commencement of work at the sites for the construction of the underground

transport system) and of Community resources, the operation being a practical example of a measure coordinated in advance between the ERDF and the EIB. In these conditions, the Commission considers that the operation has been marked by a degree of integration.

*Basic documentation available
Investment projects carried out and Community aid*

2.14 to 2.23. The Court's observations on the basic documentation available and on the investment projects carried out call for the following clarification:

- the basic documentation comprises successive updatings (points 2.16 to 2.18) which take account of projects that were initially selected and then dropped because they no longer satisfied the requirements as to technical and financial implementation; new projects appear for the same reason;
- as regards the ERDF and the EIB, the statistics available provide a breakdown of Community commitments and payments (points 2.19 to 2.29). However, as regards the other financial instruments, there are some problems at present regarding the availability of regionalized data (e.g. in the case of the Social Fund).

Increasing the resources and speeding up their utilization

2.24 to 2.27. The operation has resulted in an increase in financial flows to the Naples area not only through the ERDF, as noted by the Court, but also in the shape of national financing. This increase is though difficult to analyse statistically where national financing is concerned, on account of the number of agencies involved and, in particular, because some of them have changed. For instance, responsibility for investment projects financed by the former Cassa per il Mezzogiorno has now been split between several national and regional agencies.

3. THE INTEGRATED OPERATION PROGRAMME IN BELFAST

Integrated aspect of the operation

3.6. The revised integrated operation document identifies (in Chapter 3) the main obstacles to the economic regeneration of Belfast — obsolescent and decaying physical fabric in the inner city, city-centre communication bottlenecks, declining industrial sectors, absence of entrepreneurial tradition, etc. These problems are addressed (in Chapter 7) via a series of strategies to ensure appropriate investment in infrastructure, improve the quality of the physical environment, encourage formation of an 'enterprise culture', maximize creation of job opportunities, etc.

The Northern Ireland authorities have therefore, by identifying and implementing these strategies, adopted a logical and coherent approach to resolving Belfast's problems.

3.9. The Belfast Coordinating Committee, after its restructuring in 1984, grouped together all the bodies involved in the integrated operation and is now responsible for commenting on public expenditure priorities, overviewing the economic development policies proposed, proposing new initiatives, and monitoring overall implementation of the operation.

Progress of the operation

3.11 and 3.12. Financial details have been supplied in support of claims for payment under Regulation (EEC) No 1739/83 from specific commitments entered in Item 5411 of the budget. Certain data on implementation in the various sectors covered by the original integrated operation document are given in the revised document.

3.15. Leaving aside aspects directly concerned with Regulation (EEC) No 1739/83, the Commission's extensive participation in meetings and discussions on implementation of the integrated operation is ample evidence of its active involvement in the follow-up to the integrated operation.

The Additional nature of the aid provided for by Council Regulation (EEC) No 1739/83

3.16 to 3.19. The method used by the UK authorities to demonstrate additionality is consistent with the provisions of Regulation (EEC) No 1739/83 and the Commission has satisfied itself as to this additionality under Article 5 of the Regulation. Further information on this subject is given in the Commission's report to the Council dated 2 October 1985 (COM(85)461). It should also be borne in mind that, although housing is not eligible and therefore has not received assistance under the Regulation, investment in this sector remains a crucial element of urban renewal.

4. THE INTEGRATED DEVELOPMENT PROGRAMMES FOR THE WESTERN ISLES OF SCOTLAND, LOZÈRE AND THE SOUTH EAST OF BELGIUM

The three areas chosen for the integrated approach experiment suffer from severe natural and economic handicaps. The aim was to devise an appropriate integrated approach for their development.

The Commission would point out that the three areas in question are rural areas where agriculture is a major source of income and employment. However, the programmes were not confined to agriculture and a range of activities tailored to the individual needs and objectives of the areas was envisaged. Take, for example, the Western Isles Integrated Programme, in which agriculture accounted for a minor share of the funding provided.

4.1 to 4.3. As to the content of the three Regulations, which the Commission viewed as pilot measures, more detail was certainly provided for agriculture, it having been decided to use the existing mechanisms of the structural Funds for projects covered by the Regional Fund and the Social Fund. Since they concerned pilot projects, the Regulations deliberately left the decisions as to the exact content of the programmes, implementation procedures and integration to the Member States, which were to take account of the differing needs and administrative arrangements in the areas concerned

Content of the programmes

4.6 and 4.7. Since the integrated approach for structural operations, when first introduced, broke new ground as a

concept and as an implementation strategy, the programmes submitted did not always bring out clearly the degree of interaction between the various measures. However, the Commission did not wish to delay their implementation, as it was aware of the problems which the national administrations had encountered in drawing up the programmes.

Nevertheless, in its contacts with the national authorities throughout the implementation of the programme, the Commission did its utmost to ensure that the various parts remained closely linked and constituted a set of interdependent operations. Thus, in the case of the IDP for Lozère, the aim was to create the conditions for the expansion of structurally very backward holdings by persuading 1 500 farmers to draw up coherent improvement plans. These plans resulted in the exploitation of 15 000 ha of land, the launching of water-engineering schemes in mountain areas, changes in land use and the construction of 600 buildings for livestock.

The work involved was carried out by local firms whose employees were sent on special courses financed under the training section of the European Social Fund (ESF); the firms in question also created common service structures financed by the European Regional Development Fund (ERDF) (livestock building cooperatives, wood-cutting cooperatives, etc.).

Since 1981, a monitoring committee has each year brought together the representatives of the central government, the regional council, the general council and the Commission.

A permanent body (the IDP Association) has been responsible for the various administrative tasks to be undertaken throughout the year. These include: examination and approval of the improvement plans, handling of ESF grant applications, and preparation of ERDF applications. Arrangements exist for coordination between the different trade organizations (chambers of agriculture, trade, and commerce and industry) and for coordination at district level through local meetings

In the case of the Western Isles Programme, there is a link between the objectives and the various types of aid envisaged.

Thus, improvements in communications can be seen as essential in improving living and economic conditions in the islands and permitting better marketing of local products, whether from agriculture, fishing or fish-farming or in tourism or other areas of business. In agriculture, this link with improved marketing shows up the need for improved production conditions and the need for better-quality produce and improved marketing facilities.

4.9, 4.11 and 4.15. Details regarding implementation of a programme in its entirety are available from the annual

reports submitted by the Member States concerned and supplied to the Court. In addition, regular monitoring meetings took place with the Commission's departments.

4.14. The programmes, which took account of all the measures, irrespective of their nature (agricultural or other), were submitted at the same time. In the case of Belgium, although the various files were sent to the Commission on different dates, the Commission did expect to receive all the sections of the IDP before examining the programme and formulating an opinion.

However, the non-agricultural part, which is covered by the ERDF, contained enough detail only in respect of the first two years of implementation. This is why the Commission has stipulated that its decision should be periodically updated.

Implementation

4.16. Although the implementation rates for the various IDPs are still low, it should not be forgotten that these are pilot programmes and could not be expected, therefore, to have got off the ground more quickly.

4.18. While adequate fencing is a key element for livestock farming (and especially for part-time farmers), the Commission agrees that other elements are just as important and, in many cases, more important. Thus the early attention focused by farmers and crofters on land-improvement schemes was later developed to encourage improvements in animal quality, in wintering and in the marketing of animals, since the combination of these elements made for improved working methods and better use of resources.

5. PILOT MEASURES IN PREPARATION FOR THE INTEGRATED MEDITERRANEAN PROGRAMMES

Content of the measures

5.2 and 5.3. The six pilot measures based solely on Article 550 comprise:

(a) five experimental measures in the field of agricultural diversification and restructuring; these measures are

not eligible for assistance under the EAGGF Guidance Section but are certainly important for the success of the IMPs in France;

(b) one relating to economic and social reconstruction in an area struck by an earthquake (Kalamata, Greece); the exceptional use of a financing measure based solely on Article 550 has guaranteed that Community grants are used to top up national aids for an operation designed to ensure that the area in question benefits fully from the IMP.

5.5. Admittedly, the integrated nature of the pilot measures is not readily discernible from the planning decision — the only document that is published — but may be more evident from the appraisal file and the detailed implementing decisions, since all the Commission's decisions on the pilot measures provide an appropriate framework for monitoring and supervising pilot measures, taking into account their specific nature

The Integrated aspect of the measures

5.7. Documents analysing the experience gained from the pilot measures were originally prepared in May 1985 for the Council, during its examination of the IMPs Regulation, and subsequently in May 1987 for the Advisory Committee on IMPs. They provide a fairly detailed analysis of the points raised by the Court.

5.8. As regards the implementation stage, several visits were made, notably to Greece but also to Italy and France, in order to resolve a number of problems that had been encountered. Most of them took place in 1984, 1985 and 1986. As from July 1985, when Council Regulation (EEC) No 2088/85 concerning the integrated Mediterranean programmes was adopted after the introduction of the programmes had become a priority matter, monitoring has been possible only on an overall basis.

There have, though, been difficulties in establishing arrangements within the Commission for monitoring all commitments and payments made from the structural Funds in connection with the pilot measures, largely because adjusting management software to such small-scale measures has proved problematic. Manual methods involve a fairly heavy administrative workload although some Funds (notably the EAGGF Guidance Section) have been able to cope.

It is true that the tasks incumbent on the coordinators should have been defined more precisely. And this is what the Commission did when it adopted the internal

administrative rules for the management of the IMPs in September 1985.

5.9. As regards management of the preparatory measures, it should also be noted that the Commission's departments coordinated their activities so far as management of the financial programme is concerned. It has not been possible to monitor the measures at all times, especially from 1986 onwards, but *ex post* checks have been carried out

As regards the likelihood of Article 550 being transformed into an additional autonomous financial instrument, it should be borne in mind that this budget heading covered a limited period only (1983-87) and that its activation was invariably dependent on the agreement of the Interdepartmental Coordination Group.

5.10. The criticism that there has been dispersion of effort is a fair one. However, this dispersion has stemmed from the interest generated in the IMP regions by the pilot measures and from the need to ensure a harmonious balance between Member States.

Implementation of the decisions

5.13. See the answer given to points 5.7 and 5.8.

5.14. When the balance of any assistance is being paid, the Commission does its utmost to ensure that a detailed

analysis is carried out in coordination with all the departments concerned

5.15. The reports in question are to be submitted once the pilot measures have been completed. The Commission has urged the Member States concerned to submit these reports, and Greece has already provided some information. It has, of course, been possible to take account of information deriving from the pilot measures in the examination of the IMPs, on the basis of the experience acquired by officials at the level of the Commission, the national governments and the beneficiary regions and areas, although such information has not been the subject of final reports submitted by Member States and which would in any event have been premature at the time.

6. CONCLUSIONS

Without repeating the comments in the general section and in the detailed answers to the specific observations made in the Court's report, the difficulties encountered in connection with the former integrated operations are not expected to crop up again in the IMPs. An activity report compiled pursuant to Article 18 of Regulation (EEC) No 2088/85 has been drawn up and could here provide a very useful benchmark.

As regards organization of the procedures set in place for the IMPs, it should be stressed that these do, in fact, provide a solution to some of the difficulties mentioned in the Court's conclusions, in particular with regard to the monitoring and coordinated management of assistance.