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## Information and Notices

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## I

*(Information)*

## COURT OF AUDITORS

SPECIAL REPORT No 4/90

on

the Integrated Mediterranean Programmes (IMPs) together with the replies of the Commission  
(90/C 298/01)

*(Observations pursuant to Article 206a (4) of the EEC Treaty)*

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## 1. INTRODUCTION

1.1. Council Regulation (EEC) No 2088/85 of 23 July 1985 concerning the integrated Mediterranean programmes (1) defines the objective of these programmes as being the improvement of the socio-economic structures of certain southern regions of the Community, in Greece, Italy and France. More specifically, the Integrated Mediterranean Programmes (IMPs) are intended to enable these regions to adjust under the best possible conditions to the new situation brought about by the accession of Spain and Portugal to the Community.

1.2. According to the Regulation, the measures envisaged, extending over a period not exceeding seven years, are to relate in particular to investments in the productive sector, the creation of infrastructure and better use of human resources. These measures should strengthen or complete those already covered by the existing Structural Funds, which continue to apply as usual to the regions under consideration. The IMPs are to be drawn up by the regional or other authorities designated for that purpose by each Member State concerned and must be submitted to the Commission for examination and co-financing.

1.3. Article 10 of Council Regulation (EEC) No 2088/85 stipulates that financial aid from the Community budget for the implementation of IMPs shall take the form of:

- a contribution of 2 500 Mio ECU from the Structural Funds (European Regional Development Fund, European Social Fund and the Guidance Section of the European Agricultural Guidance and Guarantee Fund);
- an additional budgetary allocation of 1 600 Mio ECU from the appropriations allocated to a special budget article entitled 'Integrated Mediterranean Programmes — Additional contribution' (Article 551);
- the option of loans from the European Investment Bank (EIB), from its own resources or from NCI resources, totalling an estimated 2 500 Mio ECU.

Of the 4 100 Mio ECU of budgetary resources, 2 000 Mio ECU must be allocated to IMPs submitted by Greece.

1.4. The main feature of the IMPs is a planned and multiannual approach to the national and Community contributions in the regions concerned, which results in the development programmes being drawn up on the basis of interdependent and complementary measures in respect of all the sectors of economic activity. The aim is to integrate

the national and Community resources used into a single whole, with a view to increasing their effectiveness.

1.5. The rate of Community participation in financing IMP measures (aid from the Structural Funds plus any additional contribution) may not exceed 70 % of the total cost of the project or measure. This rate may be exceeded in the case of Greece, for infrastructure projects that are of special interest and are part-financed by loans. In contrast, in the case of France and Italy Community aid may not be more than 10 percentage points higher than the maxima applied by the Funds, and if it comes solely from the specific budgetary heading mentioned in the second indent of paragraph 1.3 above it may not exceed the present maximum ceiling for the ERDF.

1.6. In addition, the IMPs should be implemented at the right geographical level and should be based on programme contracts between the parties concerned (Commission, Member States, regional authorities or other authorities designated by the Member State) specifying their respective obligations. For each IMP, a Monitoring Committee, set up by mutual agreement between the Commission and the Member State concerned, assists the authorities responsible for implementing the programme.

1.7. This report is the result of examinations carried out by the Court, both on the Commission's premises and in several regions of the three Member States concerned (Crete, Central and Eastern Greece, Languedoc-Roussillon, Tuscany and Calabria). It was drafted in response to a Resolution by the European Parliament of 13 June 1985 which requested the Court of Auditors to submit, at the end of the third year of implementation of the IMPs, a special report on the effectiveness of these programmes (2).

1.8. Part One of this report deals with the formulation and content of the decisions themselves, whilst Part Two is devoted to the initial phase of implementation.

(1) Council Regulation (EEC) No 2088/85 of 23 July 1985, OJ L 197, 27. 7. 1985, p. 1.

(2) Resolution of 12 June 1985 setting out the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation instituting integrated Mediterranean programmes (section 18), OJ C 175, 15. 7. 1985, p. 261.

Table 1 — The general situation of the IMP decisions at 31 December 1989

	Date of submission	Date of the initial IMP decision	Period covered		Date of the IMP contract	Estimated total cost (Mio ECU)	Estimated Community contribution (Mio ECU)	Estimated EIB loans (Mio ECU)
			from	to				
<i>France</i>								( <sup>1</sup> )
Aquitaine	28.01.86	15.07.87	28.01.86	27.01.93	17.07.87	521,3	151,4	30,0
Provence-Alpes-Côte d'Azur	»	»	»	»	»	692,7	149,5	55,0
Corsica	»	»	»	»	»	208,5	77,1	10,0
Midi-Pyrénées	04.02.86	»	04.02.86	03.02.93	»	544,7	146,4	40,0
Ardèche	20.02.86	»	20.02.86	19.02.93	»	110,9	26,1	7,5
Drôme	»	»	»	»	»	141,5	32,8	7,5
Languedoc-Roussillon	06.02.86	»	06.02.86	05.02.93	»	645,0	199,3	30,0
<i>Greece</i>								
Crete	13.11.85	20.08.86	13.11.85	12.11.92	02.09.86	494,6	253,7	109,7
IT in Gecce	11.04.86	20.10.87	04.04.86	03.04.93	21.10.87	134,2	88,8	6,4
West and Peloponnese	23.07.86	»	01.01.86	31.12.92	23.10.87	658,3	376,1	113,5
North	»	»	»	»	22.10.87	868,6	474,7	131,4
Aegean Sea	»	11.12.87	»	»	11.12.87	410,1	227,6	82,7
Attica	»	»	23.07.86	22.07.93	»	407,9	223,1	74,0
Centre and East	»	»	01.01.86	31.12.92	»	632,0	343,6	133,2
<i>Italy</i>								( <sup>1</sup> )
Molise	18.12.86	18.12.87	01.01.87	31.12.92	18.12.87	93,4	43,1	30,0
Marches	»	24.03.88	01.01.88	31.12.93	21.05.88	169,1	67,0	90,0
Abruzzo	»	25.03.88	»	31.12.92	26.03.88	131,5	55,4	85,0
Umbria	»	19.05.88	»	»	31.05.88	204,6	63,0	40,0
Latium	»	05.10.88	01.01.87	»	07.10.88	103,8	40,4	40,0
Emilia-Romagna	»	19.05.88	01.01.88	»	30.05.88	153,7	46,7	15,0
Liguria	»	13.06.88	»	»	22.07.88	178,0	52,1	20,0
Campania	»	12.10.88	»	»	25.10.88	172,4	80,2	47,0
Apulia	»	»	»	»	10.11.88	222,9	100,0	60,0
Sicily	»	»	»	»	12.11.88	231,1	107,8	35,0
Sardinia	»	20.07.88	»	»	22.07.88	192,0	87,3	80,0
Basilicata	»	12.07.88	»	»	29.07.88	156,9	66,5	35,0
Calabria	»	12.07.88	»	»	26.10.88	206,3	94,6	25,0
Tuscany	»	13.06.88	01.01.87	»	21.06.88	226,6	69,9	70,0
Northern lagoons, Adriatic	»	22.07.88	01.01.88	»	28.07.88	125,7	35,6	35,0

(<sup>1</sup>) For France and Italy, these are overall indications which have not been included in the financial plans, except as regards Liguria, for which a sum of 16,7 Mio ECU appears in the financial plan. For France, the programmes accepted by the Commission for the second stage did not consider the amounts of the loans, even as a guideline

## 2. PART ONE: THE IMP DECISIONS

### 2.1. *The general situation in respect of IMP decisions*

2.1.1. The general situation of the 29 IMPs is shown in *Table 1* (see page 3), which indicates, for each programme, the date on which it was submitted to the Commission, the date of the latter's decision, the period covered, the date of the contract, the total amount of the costs and the Community aid, together with the loans planned, as envisaged at 31 December 1989.

2.1.2. The estimates for costs, aid and loans per country were as follows as at 31 December 1989 (in Mio ECU):

IMP	Total cost	Community assistance	EIB loans
France	2 864,6	782,6 (27,3 % of the total)	180,0
Greece	3 605,7	1 987,6 (55,1 % of the total)	650,9
Italy	2 568,0	1 009,6 (39,3 % of the total)	707,0
<b>Total</b>	<b>9 038,3</b>	<b>3 779,8 (41,8 % of the total)</b>	<b>1 537,9</b>

As regards the EIB loans reference should be made to the explanations provided in paragraph 2.7 below.

2.1.3. The estimates of costs and aid are based on several series of decisions, a different type of financial planning having, moreover, been adopted for each of the three countries. In the case of the French IMPs, aid (360,6 Mio ECU) was initially only granted for the years 1986 to 1988. For the subsequent period, new decisions were taken at the end of 1989 involving an amount of 422 Mio ECU. The Greek IMPs received aid covering the whole period from the outset. Details of the measures, however, were only recorded for the years 1986 to 1988 (1985 to 1987 in the case of Crete), which necessitated a revision for the subsequent years. A revision was carried out in 1989 and resulted in supplementary aid of 159,2 Mio ECU. In the case of the Italian IMPs, the financing operations are meant to cover the whole period, but with the possibility of supplementary measures which are yet to be decided.

2.1.4. The total aid granted, amounting to 3 779,8 Mio ECU, corresponds to 92,2 % of the overall amount of 4 100 Mio ECU provided for by Article 10 of Council Regulation (EEC) No 2088/85. There was a reserve of 320,2 Mio ECU as at 31 December 1989, i.e. 307,8 Mio ECU for the supplementary measures for the Italian IMPs and 12,4 Mio ECU still to be allocated to the Greek IMPs.

2.1.5. On top of the periods, varying between 6 and 18 months, which elapsed between the adoption of Regulation (EEC) No 2088/85 and the submission of programmes by the Member States, there was also the time required for the examination and approval of these programmes. The result was that the implementation of the measure started late, as can be seen from the low utilization rate during the financial years 1985 to 1987 of the budgetary appropriations allocated to Article 551 (see paragraph 3.1 below), which was only very partially offset by the retroactive nature of the decisions.

2.1.6. As a rule, each IMP is subdivided into about 50 measures, which are themselves reclassified into several sub-programmes roughly corresponding to operations in the areas of agriculture, tourism, industry and craft trades, internal areas and infrastructure. One sub-programme is also devoted to aid for the organization and management of the IMP itself.

2.1.7. Each measure covers a variable number of projects or other operations, which are not usually itemized in the programme and are selected and defined by the authorities responsible for carrying out the IMP. For each measure there are data sheets providing information on the expected progress of the operations (content, timetable, location, parties involved), the financing plan and the appraisal (physical monitoring indicators and, in many cases, socio-economic impact indicators).

2.1.8. For each measure, the programme indicates the total cost anticipated, usually spread over the year, the amount and source of Community financing, the proportion of national public financing and the private financing. Each measure receives aid from one or more Community Funds, or from Article 551, this latter taken singly or combined with aid from the Funds. With regard to the resources under this heading, Article 12 of Council Regulation (EEC) No 2088/85 stipulates that they may be used in particular for the purpose of granting Community aid over and above the thresholds laid down by the provisions governing the Funds, or for providing aid outside the geographical scope of the Funds and in excess of their respective qualitative and quantitative limits.

## 2.2. *The operational autonomy of the various financial instruments*

2.2.1. According to the sources of finance, the total Community aid provided for in the programmes may be broken down as follows, as at 31 December 1989 (in Mio ECU):

IMP	ERDF	EAGGF Guidance	Social Fund	Fisheries	Total	Article 551	Grand Total
France	233,4	140,2	122,0	7,6	503,2	279,4	782,6
Greece	798,6	282,0	102,0	2,5	1 185,1	802,5	1 987,6
Italy	291,8	253,9	92,6	17,4	655,7	353,9	1 009,6
	1 323,8	676,1	316,6	27,5	2 344,0	1 435,8	3 779,8

2.2.2. Article 3 of Council Regulation (EEC) No 2088/85 lays down that use made of the Funds must be in compliance with the rules peculiar to these sources of financing, particularly as regards eligibility and priority criteria and financial participation rates. Article 12 of the same Regulation stipulates that, where financial aid for IMPs is provided by the Funds, it shall be granted in the forms laid down by the provisions governing each Fund. Article 14 adds that the budgetary commitments, advances and payments shall be made in accordance with the rules governing each financial instrument (for the procedures applicable to Article 551, see paragraph 3.2 below).

2.2.3. In this way, aid for the implementation of the IMPs has been supplied from the Funds whilst maintaining the complete operational autonomy of the various financial instruments. As a result, although it covers very varied situations, ranging from the coordination of activities to mere exchanges of information between administrators, integration of resources never takes the form of a hierarchical classification of the resources employed to achieve a given objective, either in the planning or in the execution of the IMPs.

## 2.3. *The IMP decisions and the decisions peculiar to each Fund*

2.3.1. The process of preparing decisions and granting aid has proved to be complex, since it involves a global stage, concerning the IMP, which is more specifically the responsibility of the Directorate-General for the Coordination of Structural Instruments, and an individual stage peculiar to the administration of each Fund. Given that

each financial instrument functions independently of the others, this individual stage has clearly differed from one Fund to another.

2.3.2. For the ERDF Section, each IMP Decision was completed, within a period varying from two weeks to four months, by the approval of a corresponding national

programme of Community interest (NPCI). Approving the national programme in these cases was, therefore, mainly a matter of satisfying the requirements of the regulations.

2.3.3. In the case of the Guidance Section of the EAGGF, the projects or other operations, even if specified and laid down in the IMP, were subjected to separate appraisal and decision procedures, which were often extended for over a year after approval of the complete programme.

2.3.4. As regards the Social Fund, separation of one operation from another within the IMPs has been very vague, and projects have mainly been determined on a year-by-year basis, as part of the traditional procedure of appraisal and decision-making in respect of aid from the Fund. With regard to loans, see paragraph 2.7 below.

2.3.5. The adoption of the IMPs has thus not led to any attempts to devise more unified appraisal and approval procedures. The collecting of financial information in respect of the IMPs, and the processing of that information, varies according to the instruments, and in some cases concerns data by project and in others data for the whole measure. The situation varies greatly from one Fund to another and the Commission departments responsible for managing the Social Fund and the EAGGF-Guidance do not have specific files for the IMP operations. It is, moreover, sometimes difficult at Community level, and even at national level, to decide which operations are subject to the integrated approach. In fact, the information needed in order to distinguish IMP measures from non-IMP measures, in cases involving the same type of activity, coexisting in the same area and sometimes in the same measure, is not always available.

## 2.4. Growth of aid to assist the IMP regions

2.4.1. Article 11 of Regulation (EEC) No 2088/85 lays down that increases in real terms in the sums allocated to the Structural Funds during the period 1986-1992 are to help to finance the IMPs, but without adversely affecting transfers from the Funds to other less prosperous or priority regions. Normally, the growth of aid in the IMP regions ought to have been bigger than the growth of the Structural Funds, especially in view of the contribution from the additional budget heading.

2.4.2. It is regrettable that the information available for each of the Funds is not very homogeneous and is insufficiently broken down by region to allow an exact comparison of the total amounts of aid allocated, prior to and during the IMP period, to the various regions which receive aid for structural policy purposes. Data have been collated by the Commission and were included as an annex to its 1987 IMP report. They are, however, too incomplete to be used as a basis for valid comparisons.

2.4.3. More precise cross-checking is only possible in the case of Greece and, to a certain extent, Italy, countries where the IMP programmes cover all, or a very large part, of the territory. In the case of these two countries, changes in the level of Community Structural Fund commitments (including Article 551), compared with the corresponding changes for the Community of Ten as a whole, are as follows:

2.4.4. In the regions concerned, therefore, the implementation of the integrated programmes was not able to prevent a measure of stagnation in the amount of aid granted for structural purposes during the period following the enlargement of the Community. An increase greater than the overall trend for the Ten was observed in Greece only from 1988 onwards. In the case of Italy the growth of commitments from the Community Structural Funds (including Article 551) has continued to be significantly less than the increase in the corresponding commitments for the Community of Ten as a whole.

## 2.5. Preparation of the programmes

2.5.1. The conditions under which the programmes were prepared in the Member States and examined at Community level were difficult. The IMPs involved intersectoral management of an innovatory kind. Moreover, as the paragraphs below show, the methods used for communicating information and organizing the programmes have sometimes been inefficient.

2.5.2. The regions' hopes have not always been in keeping with financial realities. Taken together, the requests submitted by the Member States anticipated total expenditure of 14 246 Mio ECU and Community budgetary aid of 6 112 Mio ECU, compared with an estimate of 4 100 Mio ECU fixed by Regulation (EEC) No 2088/85.

2.5.3. It was therefore necessary to scale down the proposals submitted in order to end up with a substantial reduction in the measures proposed. This reduction often came on top of a similar adjustment which had already been carried out between the regional level and the central level in the Member States: in Italy, all the regions' initial proposals, which would have contained requests for nearly 5 000 Mio ECU in Community aid, had already been halved before they were sent to the Commission.

2.5.4. This led to successive stages of work involving examination and appraisal, which in some cases ought to have been done earlier at other administrative levels.

2.5.5. Admittedly, it would have been difficult to allocate an estimated amount to each of the IMPs right from the

1985 indices = 100

Changes in total commitments for	1985	1986	1987	1988	1989
— Greece	100	90	109	132	187
— Italy	100	92	107	105	107
— Community of Ten	100	91	113	109	118

outset. In fact, Article 6 of Regulation (EEC) No 2088/85 specifies that, when granting Community assistance, account must also be taken of various factors pertaining to the qualitative aspects of the programmes and to the size of the national contribution.

2.5.6. However, if indicative ceilings had been set it would have been possible to avoid unrealistic programmes being drawn up and this would have been more in keeping with the limited resources available to the Commission,

which was obliged to examine 29 IMPs at the same time. Setting such amounts would have been all the more appropriate inasmuch as, in practice, concern about the appropriations available, far more than the actual merits of the programmes, was the basic criterion for fixing the aid.

2.5.7. The complexity of the examination and appraisal work had the effect of protracting the procedure for approving the IMPs. Whilst, in accordance with the provisions of Article 5 of Regulation (EEC) No 2088/85, the various proposals for programmes were duly presented to the Commission by the Member States by the end of 1986, the approval decisions and the signing of the contracts were then spread out over two years, up until November 1988.

2.5.8. The decisions approving the IMPs were backdated to the date on which the programme was presented to the Commission by the Member State, and even to dates prior to that in the case of some of the Greek programmes, which used a date proposed by the Member State. These periods of retroactivity mitigated some of the adverse effects of the delays, but they did not help to make the situation any clearer and, moreover, led to the implementation of those categories of projects least dependent on Community financing, in preference to others.

## 2.6. *The concept of the interaction and complementarity of the aid*

2.6.1. The purpose of the objective of interaction and complementarity was to increase the effectiveness of the aid by improving the coordination of the operations financed by the various Community instruments. This objective has been interpreted differently by the Community, national and local authorities involved. Progress has been made as regards providing improved information to each side on the activities of the various management departments, but there has been little headway in seeking forms of aid which help to make coordinated action more possible and which improve the coordination, complementarity and hierarchical organization of the resources brought into play.

2.6.2. The main part of the programmes, especially in quantitative terms, is based on the juxtaposition and continuation of measures which are already in existence. Efforts have been made, at Community level and by the central authorities of the Member States, to improve the way in which these measures are organized and to introduce new aspects. But these efforts have largely taken the form of numerous meetings, discussions and facts and

figures, which indicates that a partnership has developed although it has had little real impact on the actual management conditions.

2.6.3. Even at Community level, not all the operations relating to the same area have been taken into consideration in drawing up the IMP. This is the case, for the ERDF and for the STAR and Valoren Regulations <sup>(1)</sup>, which have been disregarded, even where they concern the same recipients as the IMPs. It is also true, in the agricultural sphere, for compensatory allowances for mountain areas and other less-favoured areas, and, in the social field, for Regulation (EEC) No 815/84 <sup>(2)</sup> intended to finance medical centres and vocational training centres in Greece, which is similar in nature to some of the investments included in the IMP programmes.

2.6.4. The IMPs have not brought together all the operations relating to one area even those financed by the traditional Funds. Financing not included in the IMPs has continued to be allocated to areas which are the subject of an integrated programme, sometimes for amounts higher than those of the IMPs. It is not uncommon for the same operation or the same infrastructure (roads, water-supply work, etc.) to receive IMP Community aid and, at the same time, traditional Community aid which has not been taken into consideration in the integrated approach.

2.6.5. At regional and local levels, the concepts of the interaction and complementarity of aid have not been translated at operational level into clear aims and priorities. In practice, at local level, the objective of the expenditure (infrastructures, industrial investments, research and innovation, etc.) is that aimed at by the national scheme eligible for Community aid. They are usually sectoral objectives which, until now, have been only slightly influenced by the integrated programmes procedure.

2.6.6. The desire to increase the interaction and complementarity of the aid is an ambitious aim and, in many cases, achieving this aim implies a change in the habits and mentality of the managing departments. As things stand at present, the process has created greater awareness of the problem of interaction, but has had only limited practical results.

<sup>(1)</sup> Council Regulations (EEC) Nos 3300/86 and 3301/86 of 27 October 1986, instituting the STAR and Valoren programmes, OJ L 305, 31. 10. 1986, p. 1 and p. 6.

<sup>(2)</sup> Council Regulation (EEC) No 815/84 of 26 March 1984 on exceptional financial support in favour of Greece in the social field, OJ L 88, 31. 3. 1984, p. 1.



## 2.7. Aid and loans

2.7.1. Article 10 of Regulation (EEC) No 2088/85 estimated that over the seven-year period EIB loans could total a maximum of 2 500 Mio ECU. The utilization forecasts, which, as at 31 December 1989, the programmes give as totalling 1 537,9 Mio ECU, are very variable. In the case of the Greek IMPs, the forecasts are global estimates, but they are included in financing plans which specify the proportion of the programmes to be financed by borrowings. In the French and Italian IMPs, on the other hand, the borrowing forecasts appear only as global amounts which do not appear in the financing plans, and there is no link between the cost of each programme and the proportion to be financed out of borrowings, as the latter are not confined to projects which form part of the overall programme.

2.7.2. As an indication, the Commission's 1988 report on IMP activity gives an estimated total of 1 542 Mio ECU for loan utilization: 180 Mio ECU for France (for the first phase of the programmes only), 655 Mio ECU for Greece and 707 Mio ECU for Italy. The actual level of utilization as of 31 December 1988 was significantly less: 58,5 Mio ECU for France, compared with the 180 Mio ECU forecast, and for Greece 35,1 Mio ECU, compared with a forecast of 254 Mio ECU for the period 1986 to 1988, whilst in Italy an amount of 40,3 Mio ECU was allocated to global loans. The role of loans in the IMP programmes has, therefore, proved to be very insignificant.

2.7.3. The IMPs could have provided the opportunity for better integration of the various Community managements concerned with aid and lending, but in fact there has been no progress in this direction. When loans are included in programmes, even as an occasional measure, it is always on a formal basis and does not result in any kind of joint approach in drawing up the criteria for the granting of aid and loans respectively, nor to any search for a formula which would represent the optimum combination of the two sources of finance.

2.7.4. Furthermore, many loans are granted as part of the existing systems of global loans, which are managed by national or regional financial bodies which frequently do not know whether the operation financed has or has not been included in an IMP. It is difficult to reconcile global loans of this type with the concept of an integrated programme of the IMP type.

## 2.8. Periods specified for carrying out the programmes

2.8.1. For every measure there is a schedule which sets out the annual amount of Community expenditure

envisaged in terms of commitments and payments. This schedule covers at least the first phase of IMP implementation (1986 to 1988), since for the subsequent period, as stated above, the situation varies from Member State to Member State.

2.8.2. The value of the data on time limits given in the programme is very relative, because each Fund sets the period of eligibility itself, according to its own particular rules. Consequently, it is possible that this period may not correspond to the duration of the IMP. In practice, this is especially true of financings under Article 551 of the budget, the role of which is examined in a later part of this report.

2.8.3. For all the Greek and French programmes, and bearing in mind the extensive back-dating discussed in paragraph 2.5.8, the contracts, which constitute the act whereby the authorities concerned commit themselves to carrying out the IMP, were not signed until approximately one and a half years after the beginning of the implementation period. Insofar as implementation had taken place in the mean time, it was, therefore, not formally governed by the IMP provisions from the outset. Similar delays and backdating can be found in the transition to the second phase, which, although planned for 1 January 1988 in the case of the Cretan programme and 1 January 1989 for the other Greek programmes and the French programmes, was not formalized until the end of 1989, the transition being effected in a pragmatic fashion in the interim.

2.8.4. Nor was the end of the contractual period uniformly defined. In the case of the French and Italian programmes, the contracts expire at the moment when the Commission reports that Community budgetary assistance is at an end, whereas for the Greek programmes it is the point at which the budgetary commitments under the IMP are validated. Both formulae are ambiguous and do not link the end of the contract to the proper carrying-out of the programmed operations.

2.8.5. As regards budget cover, Article 11 of Regulation (EEC) No 2088/85 states that from 1986 to 1992 financial assistance from the Funds is to be taken from their annual budgetary allocations. Article 19 of the Regulation further states that the Regulation 'shall expire on 31 December 1993, the final date for commitment for expenditure under IMPs'. There are no arrangements for the period after 1993, notably as regards appropriations and payment deadlines, which indicates that the difficulties which might arise during the period of decision implementation have not been fully envisaged.

2.8.6. There is also a risk that the deadlines referred to in the previous paragraph may have no practical effect on the commitments to be borne by the Funds, because for them

the period of validity of the aid is subject to the operating rules of the individual Funds. On the other hand, Regulation (EEC) No 2088/85 does not specify a similar deadline for entry in the budget in the case of the Article 551 appropriations.

2.8.7. A much stricter definition of the implementation periods and of the consequences of exceeding them would probably have helped to bring the implementation of the IMPs under firmer control. The experience acquired from the preparatory pilot schemes, which are examined in the following paragraphs, shows that it is essential not to underestimate the risk that, at the end of the period set for implementation of the IMPs, commitments against the still unutilized portion of the overall funding may continue to be borne by the various Funds, instead of being grouped together as part of the implementation of the integrated programme.

### 2.9. Experience acquired from IMP preparatory pilot schemes

2.9.1. During 1983 and subsequent financial years the Community carried out various surveys and set up a number of experimental operations, the IMP preparatory pilot schemes, which were intended to help resolve the difficulties inherent in the design and implementation of the IMPs.

2.9.2. In principle, the pilot schemes should have ended in 1985, in good time for the lessons learnt from them to be used in the preparation of the IMPs. In fact, in 16 out of a total of 25 schemes, the financial situation had not been clarified by the end of 1989 and, in the case of the schemes that were deemed to have ended in 1988 and 1989, decisions were taken on the basis of evidence supplied by the competent regional authorities only in respect of expenditure against the special article that had been opened in the budget to provide for an additional contribution (Article 550). Such a procedure flatly negates the integrated nature of the pilot scheme. The latter was in effect deemed to have ended, even though the required information on the realization of the various components financed by each of the Funds was not available.

2.9.3. There was practically no exchange of information between the Commission managers about the pilot schemes, and, in its Special report on the integrated approach <sup>(1)</sup>, the Court pointed out that the management of these measures was increasingly being confined to management of the appropriations against the additional article only.

<sup>(1)</sup> Special report No 2/88 on the integrated approach to Community financing of structural measures, OJ C 188, 18. 7. 1988, p. 1.

2.9.4. Whether at the level of integrated action, the way in which statistics were obtained by Community, national, regional or local authorities, the accuracy of data and the exchange of information, the lengthy nature of procedures and deadlines and compliance with them, the complexity of the system whereby decisions were taken, or the financial system involving advances, repayments and budgetary cover, the preparatory pilot schemes revealed a whole set of difficulties that were to reappear on a much larger scale in the management of the IMPs.

2.9.5. These difficulties were not, however, taken into account as a way of improving the conditions of integrated management by introducing the necessary measures in good time at the appropriate level. All too often, the task of taking measures at IMP level was entrusted to monitoring committees, which were not really in a position to act in a way which would produce a marked change in the situation.

## 3. PART TWO: THE INITIAL PHASE OF IMP IMPLEMENTATION

### 3.1. Community commitments and payments

3.1.1. *Tables 2 and 3* summarize commitments entered into and payments made up till the end of 1989 for Community aid to the IMP. At the end of 1986 commitments amounted to 33,1 Mio ECU. At the end of the following year they had reached 441,33 Mio ECU, or 86 % of the amount expected by 31 December 1987. By the end of 1988 they had risen to a grand total of 1 077,31 Mio ECU, slightly less than 91 % of the commitments the programmes had envisaged for that date. At the end of 1989 total commitments amounted to 1 546,86 Mio ECU, or 77 % of the corresponding estimate.

3.1.2. In the case of payments, the amount was 14,86 Mio ECU as of 31 December 1986 and 235,72 Mio ECU as of 31 December 1987 — 81 % of the payments forecast for that date; by 31 December 1988 the amount had risen to 606,04 Mio ECU and 949,89 Mio ECU at 31 December 1989, 80 % and 72 % respectively of the total payments forecast for end-1988 and end-1989 in the various IMPs.

3.1.3. The forecasts of both commitments and payments were compiled when the programmes were being prepared and appear in the schedules for the various contracts. Comparison of forecast and actual figures is not, therefore, a significant indication of the delays which occurred in

Table 2 — Community commitments in respect of the IMPs in 1987, 1988 and 1989  
(Mio ECU)

	Commitments 1987			Commitments 1988			Commitments 1989			Total		
	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%
	France	189,71	174,43	92	170,89	153,73	90	109,81	126,08	115	470,41	454,24
Aquitaine	37,23	32,83	88	32,09	32,93	103	18,73	19,32	103	87,91	85,08	97
Midi-Pyrénées	34,11	33,57	98	43,71	44,17	101	21,61	31,37	145	87,81	87,53	100
Languedoc-Roussillon	46,02	43,51	95	31,92	35,24	110	28,19	31,90	113	117,92	119,58	101
Provence-Alpes-Côte d'Azur	38,16	31,76	83	19,79	8,60	43	21,25	17,20	81	91,33	84,20	92
Corsica	20,16	17,41	86	5,57	5,16	93	11,44	18,29	160	51,39	44,30	86
Drôme	7,83	8,40	107	5,86	5,04	86	4,33	3,77	87	17,73	17,33	98
Ardeche	6,20	6,95	112	364,11	354,91	97	4,26	4,23	99	16,32	16,22	99
Greece	317,59	264,62	83	30,05	13,74	46	408,65	279,15	68	1 090,35	898,68	82
Crete	91,34	82,94 <sup>(1)</sup>	91	28,35	27,75	98	50,08	47,81	95	171,47	144,49	84
IT in Greece	7,26	7,65	105	72,04	73,66	102	83,83	35,37	33	47,69	39,33	82
West and Peloponnese	52,67	45,36	86	91,90	107,91	117	119,05	74,06	62	208,54	154,39	74
North	71,84	53,77	75	43,09	36,34	84	55,82	56,72	102	282,79	235,74	83
Aegean Sea	40,17	21,24	53	45,64	46,05	101	28,41 <sup>(2)</sup>	5,67	20	139,08	114,30	82
Attica	35,46	34,63	98	53,04	49,46	93	59,38	55,59	94	109,51	86,35	79
Centre and East	18,85	19,03	101	143,74	127,34	89	288,05	64,32	22	131,27	124,08	95
Italy	4,67	2,28	49	12,50	7,40	59	11,36	5,69	50	436,46	193,94	44
Molise	2,32	2,28	98	9,93	6,42	65	14,55	4,01	28	26,18	15,37	59
Marches	—	—	—	14,07	10,50	75	13,77	3,80	28	24,48	10,43	43
Abruzzo	—	—	—	15,40	14,19	92	16,65	4,09	25	27,84	14,30	51
Umbria	—	—	—	5,70	3,40	60	13,86	2,25	16	32,05	18,28	57
Latium	0,79	—	0	12,99	12,87	99	15,61	14,63	94	20,35	5,65	28
Emilia-Romagna	—	—	—	8,49	7,63	90	14,73	2,56	17	28,60	27,50	96
Liguria	—	—	—	0,51	0,30	59	21,64	1,23	6	23,22	10,19	44
Campania	—	—	—	7,37	6,90	94	33,06	0,25	1	22,15	1,53	7
Apulia	—	—	—	7,32	7,30	100	31,42	2,31	7	40,43	7,15	18
Sicily	—	—	—	4,95	4,59	93	18,90	4,38	23	38,74	9,61	25
Sardinia	—	—	—	10,61	9,20	87	20,80	4,41	21	23,85	8,97	38
Basilicata	—	—	—	9,90	9,40	95	28,22	2,28	8	31,41	13,61	43
Calabria	—	—	—	21,83	25,04	115	21,90	10,13	46	38,12	11,68	31
Tuscany	1,56	—	—	2,17	2,20	101	11,58	2,30	20	45,29	35,17	78
Northern lagoons, Adriatic	—	—	0	—	—	—	—	—	—	13,75	4,50	33
Total	511,97	441,33	86	678,74	635,98	94	806,51	469,55	58	1 997,22	1 546,86	77

(1) Includes 33,1 Mio ECU committed in 1986.

(2) Average of global forecast for years 1989 et seq.

( Mio ECU)

Table 3 — Community payments in respect of the IMPs in 1987 and 1988

	1987 payments			1988 payments			1989 payments			Totals		
	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%
France	99,01	73,18	76	130,03	96,27	74	136,78	96,00	70	365,82	267,45	73
Aquitaine	17,85	15,95	89	23,72	19,17	81	25,91	18,09	70	67,48	53,21	79
Midi-Pyrénées	18,68	14,77	79	25,15	14,79	59	23,30	14,34	62	67,13	43,90	65
Languedoc-Roussillon	20,91	19,28	92	33,90	28,75	85	33,82	26,26	78	88,63	74,29	84
Provence-Alpes-Côte d'Azur	22,73	11,12	49	23,36	18,03	77	31,20	20,27	65	77,29	49,42	64
Corsica	10,97	6,90	63	15,14	7,92	52	13,44	13,45	100	39,55	28,27	71
Drôme	4,38	4,24	97	4,56	4,48	98	4,65	1,01	22	13,59	9,73	72
Ardèche	3,49	2,92	84	4,20	3,13	75	4,46	2,58	58	12,15	8,63	71
Greece	191,63	159,75	83	271,80	235,27	87	261,46	195,81	75	724,89	590,83	82
Crete	53,13	51,29 <sup>(1)</sup>	97	41,56	15,46	40	34,97 <sup>(2)</sup>	38,83	111	129,61	106,58	82
IT in Greece	3,53	3,69	105	14,89	14,71	99	14,07 <sup>(2)</sup>	7,12	51	32,49	25,52	79
West and Peloponnese	32,38	29,99	93	47,97	40,46	84	56,20 <sup>(2)</sup>	32,54	58	136,55	102,99	75
North	45,99	35,41	77	60,67	75,96	125	42,87 <sup>(2)</sup>	44,87	105	149,53	156,24	104
Aegean Sea	28,65	13,47	47	38,16	19,01	50	25,35 <sup>(2)</sup>	38,92	154	92,16	71,40	77
Attica	15,80	17,32	110	25,68	24,46	95	35,95 <sup>(2)</sup>	19,87	55	77,43	61,65	80
Centre and West	12,15	8,58	71	42,87	44,21	103	52,10 <sup>(2)</sup>	13,66	26	107,12	66,45	62
Italy	2,08	0,79	38	63,09	38,78	61	164,69	52,04	32	229,86	91,61	40
Molise	0,91	—	0	5,87	3,74	64	10,01	4,80	48	16,79	8,54	51
Marches	—	—	—	3,93	2,61	66	9,62	1,45	15	13,55	4,06	30
Abruzzo	—	—	—	5,60	4,82	86	10,98	1,57	14	16,58	6,39	39
Umbria	—	—	—	7,14	6,25	88	12,08	2,41	20	19,22	8,66	45
Lazio	0,39	0,13	33	2,36	1,71	72	7,82	0,49	6	10,57	2,33	22
Emilia-Romagna	—	—	—	5,70	6,97	122	10,21	8,39	82	15,91	15,36	97
Liguria	—	—	—	4,04	—	0	8,08	3,59	44	12,12	3,59	30
Campania	—	—	—	0,32	—	0	8,20	0,61	7	8,52	0,61	7
Apulia	—	—	—	3,07	—	0	15,25	2,96	19	18,32	2,96	16
Sicily	—	—	—	3,24	1,30	40	13,33	3,37	25	16,57	4,67	28
Sardinia	—	0,66	—	2,11	—	0	9,52	1,97	21	11,63	2,63	23
Basilicata	—	—	—	4,60	0,30	7	13,70	4,74	35	18,30	5,04	28
Calabria	—	—	—	4,39	0,10	2	13,25	5,24	40	17,64	5,34	30
Tuscany	0,78	—	0	9,65	9,91	103	17,70	9,97	56	28,13	19,88	71
Northern lagoons, Adriatic	—	—	—	1,07	1,07	100	4,94	0,48	10	6,01	1,55	26
Totals	292,72	235,72	81	464,92	370,32	80	562,93	343,85	61	1 320,57	949,89	72

<sup>(1)</sup> Includes 14,86 Mio ECU already disbursed in 1986.<sup>(2)</sup> Average of global forecast for years 1989 et seq.

Table 4 — Use of Article 551 commitment and payment appropriations

(Mio ECU)

	1985		1986		1987		1988		1989	
	Commitments	Payments	Commitments	Payments	Commitments	Payments	Commitments	Payments	Commitments	Payments
— Initial appropriations	120,0	0,0	240,00	118,00	187,76	167,73	130,00	70,00	250,00	252,00
— Transfers (±)			- 30,00		- 47,00	- 100,00		+ 10,00		
— Carry-over from previous year			120,00	0,00	210,00	110,40	140,76	68,73 <sup>(1)</sup>		
— Final appropriations	120,0	0,0	330,00	118,00	350,76	{ 67,73 110,40	270,76	{ 80,00 68,73	250,00	252,00
— Current year's commitments			- 15,47		- 187,54		- 265,85		- 110,95	
— Payments against current appropriations				- 7,60		- 96,33		- 80,00		- 79,66
— Payments against appropriations carried forward						- 7,60		- 68,56		
— Cancellations			- 104,53		- 22,46	- 6,47	- 4,91	- 0,17	- 139,05	- 172,34
— Carried forward	120,0	0,0	210,00	110,40	140,76	67,73	0,0	0,0	0,0	0,0

<sup>(1)</sup> 68,73 = 67,73 carried forward from 1987 + 1,0 transferred from Article 552.

starting the IMP. These delays are illustrated by the under-utilization of the Article 551 budgetary appropriations, mainly during the first two financial years in which they were entered (1985 and 1986 in the case of commitment appropriations, 1986 and 1987 for payment appropriations — see *Table 4*).

3.1.4. *Table 4* shows how, out of a total of 360 Mio ECU of commitment appropriations opened against Article 551 in the 1985 and 1986 budgets, an amount of 30 Mio ECU was transferred to other articles of the budget, 104,5 Mio ECU were cancelled and 210 Mio ECU were still outstanding at the end of 1986, only 15,5 Mio ECU having been used. In the case of payment appropriations against the same article, compared with a total of 285,7 Mio ECU opened in the 1986 and 1987 budgets, transfers amounted to 100 Mio ECU, cancellations to 6,5 Mio ECU and payments, as of 31 December 1987, to 111,5 Mio ECU, whilst 67,7 Mio ECU were carried forward to 1988.

3.1.5. As of 31 December 1989, commitments and payments respectively represented approximately 37,7 % and 23,2 % of the total aid of 4 100 Mio ECU provided for in Regulation (EEC) No 2088/85 for the entire duration of the IMPs. They were distributed between the various financial instruments as follows (in Mio ECU):

	ERDF	EAGGF Guidance	Social Fund	Fisheries	Article 551	Total
Commitments	562,2	221,9	177,0	6,0	579,8	1 546,9
Payments	356,4	147,1	105,8	1,0	339,6	949,9

3.1.6. For 1989 IMP commitments and payments amounted to a total of 469,6 Mio ECU and 343,9 Mio ECU respectively, a reduction on the previous year, when they amounted to 636,0 Mio ECU and 370,3 Mio ECU. The situation gives rise to considerable concern in the case of the Italian IMPs, for which, for the period from the beginning of the IMP up to 31 December 1989, totals of only 193,9 Mio ECU and 91,6 Mio ECU had been committed and paid.

### 3.2. *The incidence of commitment and payment procedures*

3.2.1. The rates at which payments are made in relation to the corresponding programme commitments are influenced by the accounting procedures employed for Article 551 and the ERDF programmes, the figures relating

to these two financing instruments representing approximately 74 % of commitments and 73 % of payments at 31 December 1989.

3.2.2. In fact, under the current provisions for both Article 551 and the ERDF programmes, the procedure is for commitments to be passed to the accounts on the basis of the global annual tranches fixed by the programmes. These provisions also allow the possibility of substantial payments by way of advances, which may be as much as 50 % of the commitment in the case of Article 551 and even 80 % in some cases where the ERDF is concerned. As a result of the extension, in 1989, of the system of advances to all the Structural Funds, the amounts passed to the accounts are sometimes markedly out of alignment with the true state of the project on the ground, particularly at the beginning of capital projects.

3.2.3. At the end of 1989, out of total payments of 339,6 Mio ECU charged to Article 551, a sum of only 85,2 Mio ECU, less than 25 %, was for completed annual tranches, whilst the remainder consisted of advances. In the case of the ERDF portion, the percentage was slightly more than 56 %, for total payments of 356,4 Mio ECU.

3.2.4. The Court has repeatedly criticized the procedure of making commitments by annual tranches, particularly in

its Special report on non-quota measures <sup>(1)</sup>. The practical result of this procedure is that when the financial documents are compiled they do not contain all the expenditure that relates to the approved programmes, since the annual tranches are taken into account only as and when they are called down.

3.2.5. The anomaly of the present situation regarding the passing of commitments to the accounts is also illustrated by the case of the IMP regions which, following the reform of the Structural Funds, are, since 1 January 1989, no longer considered to be underdeveloped regions (the regions in question are Latium in Italy and the French IMP areas, excluding Corsica). Because of the current programmes, the Commission has continued to pass commitments to the accounts against the ERDF in respect of these areas

<sup>(1)</sup> Special report No 2/86 on the ERDF's specific Community regional development measures (non-quota measures), OJ C 262, 20. 10. 1986, paragraphs 2.11 to 2.13.

after 1 January 1989 and regards them as commitments for the 'development of rural areas', where the region is eligible under such an objective, or classifies them as unzoned where the region does not qualify under any of the ERDF objectives. In reality these are commitments that were incurred before 1 January 1989 and should have given rise to a corresponding commitment entry at that point in time.

### 3.3. *The difficulties encountered by the Monitoring Committees and problems of setting up the monitoring system*

3.3.1. The monitoring system gives an important role to the Monitoring Committees that are set up for each programme. Each Monitoring Committee meets in the region concerned by the programme. Its composition is determined in the programme contract and includes, in particular, one person in charge of each sub-programme, one Commission representative and, where appropriate, one EIB representative. The Committee makes use of the region's administrative structures to carry out its work.

3.3.2. This Committee is the main forum that brings together the various authorities which take part in the implementation of the IMPs, and, as such, has an important role to play in the exchange of information and in the management of both the whole programme and each of the measures that make it up. It is supposed to provide an immediate impetus and promote the sound implementation of the IMPs, as well as delivering opinions and drawing up proposals.

3.3.3. However, since the Monitoring Committees were conceived of as advisory authorities responsible for drawing up proposals, they do not always have the means or the powers needed to arrive at an accurate and complete picture of the progress of the operations, nor can they really influence, beyond taking part in discussions, the work of the various authorities concerned. Responsibility for the implementation of IMPs devolves upon many departments and is often the successive responsibility of a range of levels of authority, whose participation in the work of the Committees usually proves to be different from one authority to the other.

3.3.4. The information flow and the transmission of documents between these authorities and departments are factors that often depend upon habits and circumstances, and even on statutory provisions governing the bodies concerned and determining the type, frequency and contents of the supporting documents to be supplied. Such procedures, even when they are incompatible with the requirements of the IMPs, are slow to change and are barely influenced by the work of the Monitoring Committees, even if the latter do encourage joint examinations and discussions. After the initial meetings, various Committees

allowed some time to elapse between their subsequent meetings, at a moment when coordination should, on the contrary, have been strengthened. The minutes of the meetings reveal the increasing difficulty of obtaining information on the operations and making them progress, even in cases where the cause of these difficulties has been pinpointed.

3.3.5. As the authority which collates information from the various administrative departments, the Monitoring Committee plays a significant role in the running of the monitoring system. In this connection, the programme contracts stipulate that at the end of each quarter a statement of commitments and payments is to be drawn up by the various persons in charge of the sub-programmes. A similar statement has to be sent to the Monitoring Committee at the end of each six-month period showing, for each measure, any changes in relation to estimates and justifying large discrepancies. Physical indicators of progress and an assessment of the economic and social impact of the operations should also be included in the monitoring system.

3.3.6. This system, which, thanks to data-processing techniques, should have made it possible for all persons involved to carry out almost instantaneous monitoring, has only been partly implemented so far. The computer programmes made available to the regions for monitoring purposes have had to be adapted in order to take account of local requirements, equipment and organization, which has delayed or limited their utilization. Moreover, the part of the monitoring that concerns the physical progress and economic and social impact of the operations has not yet been started and so nothing has been done, up till now, about the obligation to collect and send data on this subject.

### 3.4. *The rather unreliable nature of the data available*

3.4.1. With regard to all of the programmes subject to on-the-spot audits by the Court, the data available, whether acquired manually or by data-processing techniques, proved to be unsatisfactory. The number and diversity of the measures, related to the various levels of management, the length of the delays and the periods of retroactivity and the possibility of amending, to limited extents and under certain conditions, the choice and contents of the projects to be financed, are all factors that tend to make the data rather unreliable and inconsistent as regards the subjects covered.

3.4.2. For water supply and road network projects in Central and Eastern Greece, it was not possible during the Court's on-the-spot audits to compare the data sent by the Monitoring Committee and the Ministerial Departments responsible with the accounts held by the municipal authorities concerned, which were supposed to justify them. The same was true of certain categories of expenditure for the benefit of small and medium-sized undertakings in the same regions. For work of a continuous or repetitive nature, the volume and duration of the work taken into consideration may differ from authority to authority or may give rise to estimates that are not justified by documentary evidence.

3.4.3. Still in Greece, the Court's on-the-spot audits revealed a case where certain sums were considered to have been paid out, although they were advances paid to a port authority and had remained unused for over a year at the time of the audit (Port of Chania: 20 Mio drachmas as at 31 December 1986; 29,2 Mio drachmas as at 31 December 1987). For projects in the innovation sector, the total cost was considered to be public expenditure, for which a reimbursement of 70 % was borne by the Community, whereas 30 % of the costs had been financed by private beneficiary firms (Crete: 30 % of 22,9 Mio drachmas for 1986 and 1987. Similar sums were spent for the other financial years and the other Greek IMPs). In the case of a project for the building and fitting-out of laboratories, it turned out that a considerable share of the expenditure related to the running of these laboratories (Crete: 128,7 Mio drachmas out of 344,8 Mio drachmas). In various Greek IMPs, under the head of expenses, and more particularly 'expenditure in respect of providing information to the final beneficiaries', the Court noted the purchase of a radio retransmitter (3,9 Mio drachmas), car repair costs (0,6 Mio drachmas) and even the granting of subsidies. In another case, in Italy, an item of investment expenditure (2 000 Mio LIT) in fact corresponded to a purchase by the regional authorities of a share-holding in an organization with a view to improving the financial structure.

3.4.4. The documents available at Community level do not make it possible to carry out checks in the area. As for the Commission's on-the-spot audits, they are very limited. There are no combined audits of the various administrations, either organized by the Commission's authorizing departments or by those of the Member States. As of the beginning of 1990 the Commission's Financial Controller had carried out proper on-the-spot audits of the expenditure charged to Article 551, but none of the managing departments had done so. Moreover, the responsibilities assigned to the Commission's Directorates-General for coordinating the IMPs have been greatly altered. In fact, coordination was entrusted to DG XXII (Coordination of Structural Instruments) until the end of 1988, and has been the responsibility of DG XVI (Regional Policy) since 1989.

3.4.5. The Court also noted that, for the French IMPs, the expenditure shown as having been effected at the end of 1988 had actually been calculated by the Commission on the basis of estimated percentages of the operations. Such methods, combined with the diverse nature of the situations, the stages in the transmission of documents and their global nature, the shortcomings of control, the periods which lapse between the time of on-the-spot management and that of the examination of this management at Commission level, are not conducive to the compilation of accurate data.

### 3.5. *Additional contribution from the specific budget article*

3.5.1. The additional contribution from Article 551, which accounts for almost 40 % of the total Community aid, is an essential element in the IMP. This is because its complementary nature means it is likely to increase the integration and efficiency of the measures taken.

3.5.2. About 70 % of the additional contribution (in France and Italy, 95 %) was allocated to operations which, owing to their nature or the locality, could not be funded by other financial instruments. The remainder, particularly in Greece, was used to top up aid from one or more Funds, either to increase the level of assistance or to cover categories of costs other than those eligible for traditional forms of funding.

3.5.3. When the programme decisions were taken, a certain degree of integration was sought in the manner in which the instruments were organized. However, at the implementation stage, this aspect was given less consideration. Article 551 payments, which have so far taken the form of general advances, were paid independently of the Funds. Furthermore, it was not established that the advances paid were being properly utilized for measures to be funded by Article 551. In Italy, the Court's on-the-spot investigations revealed the case of advances (4,9 Mio ECU as at 31 December 1988) granted chiefly for productive investments which had been used mainly for forestry protection measures.

3.5.4. The increase in subsidy rates, the extension of eligible areas and the watering-down of the conditions determining entitlement to Community aid also entail risks and may, in particular, go against the general objective of increasing the concentration of aid. Such changes, of



limited duration, may have a negative effect on how the Funds operate. For instance, in France, aid for farm modernization, granted against Article 551 appropriations to recipients who did not fulfil the conditions required by the EAGGF-Guidance Section for the granting of such facilities, is likely to make the traditional system less attractive, even when the temporary IMP measures have ended. The result is a situation that is far from homogenous and requires careful attention.

3.5.5. Among the possible uses of the special Article 551 resources, Article 12 (2) of Regulation (EEC) No 2088/85 provides for the possibility of 'granting repayable aid for the financing of investment in the productive sector'. As yet, these provisions have not been implemented.

### 3.6. Financing difficulties

3.6.1. The implementation of the IMPs has encountered significant financial difficulties. Although Community advances were paid within the normal period of time following the dates of the decisions, the delay and the retroactive effect of the adoption of the decisions usually meant that a year, and sometimes even two years, elapsed before the first funds were received from the Community. Furthermore, the roundabout route by which aid is transmitted at regional level is generally unreasonably long, often taking more than six months.

3.6.2. In Greece, the implementation of the IMPs took place at a time when attempts were being made to reduce the national budget deficit and, therefore, when there were severe cuts in funds, particularly if the annual depreciation of the drachma is taken into account. However, the additional Community intervention that the IMPs represent requires an increase in the corresponding national funds allocated to the projects. As things stand at present, the immediate effect of the implementation of the IMPs in Greece is more like that of a budgetary transfer, and does not result in any real increase in the structural investment sector. In the period between 1985 and 1988, Greece's public investment programme only increased by an amount comparable to the depreciation of the drachma.

3.6.3. Serious financing difficulties also appeared in Italy in regions other than the Mezzogiorno. This was because there was no clear definition of the source of the non-

Community public funds necessary for the implementation of the IMPs. The regional authorities in question are of the opinion that the funds are exceptional, additional funds which are to be placed at their disposal under the national budget. The central authority, on the other hand, is of the opinion that, to a large extent at least, the funds are to be deducted from the sums usually allocated for the financing of the regional budgets.

3.6.4. The problem was not settled, nor, apparently, had it even been tackled, when the programmes were drawn up. It has seriously hampered the launching of operations, given also the delays in the adoption of the national and regional budgets. The final decision that 55 % should be chargeable to the regions and 45 % to the State was not reached until the end of 1989.

### 3.7. The effectiveness of the IMPs

3.7.1. One of the objectives of financing by programmes, in general, and of the IMPs in particular, is the enhancement of the effectiveness of the aid, and evaluation procedures have therefore been laid down for verifying the results of the measures. Since the responsibility for the decisions on the operations and projects to be carried out lies with the national and regional authorities, the action of the Community services is, by implication, more concerned with, and therefore concentrated on, knowledge of the changes produced by these operations and projects and on their impact in terms of development.

3.7.2. For each IMP measure, the programme includes at least one rough model of impact indicators. These are often limited to the physical aspect of what the measure is meant to achieve, but, once they have been made more specific and added to, they can provide an initial approach to the assessment of results. In practical terms, however, and as already indicated in paragraph 3.3.6, the collation of such data has still to be organized and the system is not therefore being applied, thus depriving the Commission and the administrations in the Member States of an essential means of appraising the implementation of the operations.

3.7.3. Each IMP also provided for the appointment of an independent assessor, designated by common agreement by the partners in the programme, whose task it would be to draw up an annual report on the implementation of the measures and their effects. For the Greek IMPs, the evaluation authorities were appointed in March, April and May 1989, and for the French IMPs these appointments were staggered from August 1988 to June 1989. For the Italian IMPs, seven assessors were appointed in 1989 and a further eight appointments were pending on 31 December

1989. On the latter date, an initial report was available for the Greek IMPs and for certain French IMPs.

3.7.4. The time lag between the appointment of the assessors and the date on which the programmes got under way deprived the system of some of its utility, particularly with regard to the difficulties in the initial period and the measures which had to be taken in good time to allow the adjustments necessary for the work to continue. In the light of the initial reports, it is clear that particular attention must be paid to the contents of the documents, so as to make sure that they are indeed geared to evaluation and are not merely limited to an analysis of the financial management.

3.7.5. Particularly when carrying out its on-the-spot checks, the Court took pains to examine whether the programmes were being carried out in conditions which met the objectives which were laid down. The observations made in this regard indicate that new measures, or those which entail more innovative re-orientation aspects, often come up against difficulties which may jeopardize the expected results. Traditional infrastructure operations are making more progress, while the accompanying measures planned by the integrated approach are marking time.

3.7.6. Major irrigation programmes in Crete were aimed at crop conversion, with a view to reducing production of olive oil, of which there was a glut on the market, in favour of competitive fruit or horticultural production which could find better commercial outlets. The water offtakes and irrigated land examined by the Court were being used mainly for olive groves, which risks producing the opposite effect to that which the programme set out to achieve. For avocado plantations, initially estimated at more than 2 000 hectares for the period 1986 to 1992, the forecasts were subsequently reduced by nearly 40 %; at the end of 1987, the figures achieved were evaluated at roughly 40 hectares and the prospects continued to be not very encouraging.

3.7.7. Also in Crete, one of the programme measures provided for aid for the construction or modernization of hotels in areas with tourist potential which were not already overdeveloped. However, the projects which the Court examined were only occasionally situated in the interior and contributing to the development of new forms of activity; the majority were located on the coast, in areas where there was already extremely intense tourist activity, where they risked accentuating the short-term speculative tendencies concomitant with this type of investment.

3.7.8. In the case of a plant for the processing of oilseeds and oil cake for cattle feed which was built in Languedoc-Roussillon, the programme laid down that the oilseed for processing ought to be locally produced, or at least of Community origin. The aim was not to increase imports into the Community and to avoid competing unduly with the considerable processing capacities which already existed in the surrounding area, which used mainly imported products as their raw material. At the time of the Court's visit, there was no prospect of increased oilseed production in the region and, in fact, there was every indication that the investment could not be used in compliance with the conditions which were initially laid down.

3.7.9. The measures on behalf of small and medium-sized undertakings include aid for economic operators to develop new forms of financial relations, such as franchising or factoring. Various Italian regions have assigned, and even restricted, the implementation of such aid to para-regional public bodies. Such an initiative may well provide yet more support for the constitution of a protected sector of financial operations, rather than contributing to the general development of the market, thanks to increased use by the various financial operators of the new forms of financial activity that are open to them.

3.7.10. One of the Greek IMP measures for information technologies aimed to set up an IT network involving several hundred agricultural cooperatives. The programme also provided for the corresponding training of the staff to use the equipment, with the aid of the Social Fund. At the cooperative which the Court visited, the equipment was still unused several months after delivery because the staff had not received the training necessary to operate it, and there were no immediate plans to provide such training. When informed of this finding, the central authority responsible for implementation of the measure explained that, in certain cases, in an attempt to tackle problems of this kind, it had tried to transfer the unused equipment to other bodies which could make use of it, but that this had led to a legal dispute regarding the ownership of the equipment.

#### 4. CONCLUSIONS

4.1. The IMPs have certainly provided a useful framework for reference, contact and information, and have

made the managing departments more aware of the need to increase the effectiveness of the aid, to give thought to the objectives to be attained and to make efforts in this direction.

4.2. The programmes bear witness to some effort to ensure organization, complementarity and even innovation, in order to go further than the straightforward juxtaposition of pre-existing measures. The integration of the whole of the resources brought into play, so as to increase their effectiveness, was one of the essential objectives of the IMPs. From this point of view, however, there has been little change, particularly where the link between the Funds and between the combination of fund aid and EIB loans is concerned.

4.3. Such inadequacies were not even partially compensated for by starting operations promptly, since there were substantial delays before the IMPs were implemented. Moreover, the financial execution was again delayed in 1989 and it should be noted that the duration of implementation periods is laid down ambiguously and, from certain points of view, in contradictory terms.

4.4. Some of the problems are due to the complexity of the IMP system, since procedures overlap and the number of programmes and measures is excessive, which would seem to indicate that the difficulties of implementing the system have been underestimated. The choice of a more restricted number of measures would have allowed greater concentration of the action and the results would have been more solidly guaranteed. There would have been all the more call for such a choice since, according to the Commission's interpretation of the matter, the IMPs are not a substitute for the management of the various traditional instruments, under which operations are continuing in the same areas as those concerned by the IMP programmes and entirely independently of them.

4.5. At the implementation stage, the progress expected to be achieved with the IMPs is barely perceptible to date, since the system laid down has been applied very inadequately. The follow-up of operations is slow, and is not performed uniformly and, hitherto, it has not been adequately monitored by the Commission's managing departments. Substantial progress remains to be made if a sound knowledge of the operations and projects which are being financed, and in particular of their exact nature and their location, is to be achieved in good time.

4.6. The system for evaluating the programmes, depending as it does on a sound knowledge of the operations, still has to be set up and conditions for its satisfactory operation, that is, the impact indicators and their use and the role of the assessors, have to be established.

4.7. A genuine partnership between the Commission and the regional authorities requires better definition of their relationships and real cooperation, if differences are to be avoided in the approach and thinking of the Community and the local management authorities, since such differences may in time diminish the effectiveness of the Community instruments.

4.8. Nearly five years after the last enlargement of the Community, a significant proportion of the measures, and all the Italian programmes in particular, are still at the start-up stage, whereas the IMPs were supposed to contribute to solving the problems linked to this enlargement.

4.9. The essential elements provided for the management of the IMPs, such as monitoring, evaluation and partnership, are to be found, *mutatis mutandis*, in the system established by the reform of the Structural Funds. A prompt solution to the difficulties encountered in implementing the IMPs is therefore essential if the reform is to succeed.

This report was adopted by the Court of Auditors in Luxembourg at the Court Meeting of 27 September 1990.

For the Court of Auditors  
Aldo ANGIOI  
President

## THE REPLIES OF THE COMMISSION

### PRELIMINARY REMARK

The Commission would take this opportunity to point out that, as compared with the past, the implementation of the IMPs represents a qualitative leap forward and an innovation in the structural aid context.

The mechanisms employed are designed to ensure transparent management and thus make it possible to find appropriate solutions to the problems encountered. At the same time they throw light on the implementation problems affecting the IMPs.

The Commission would stress that the IMPs provided an opportunity to try out the approach officially recommended in the reform of the Structural Funds and that they were initiated before the new legislative framework was defined and implemented. The experience gained with the IMPs has enabled the new rules governing the Structural Funds to be adjusted more closely in line with the problems encountered in that context. The IMPs have thus given invaluable guidance on how to implement the reform of the Structural Funds.

### 2. PART ONE: THE IMP DECISIONS

#### 2.1. *The general situation in respect of IMP decisions*

2.1.5. The Commission's examination of the programmes was delayed by the fact that certain programmes were incomplete and that national and regional correspondents were slow to answer the Commission's requests for additional particulars.

The Commission, having set strict requirements for the quality and innovative character of programmes, was unable to examine them rapidly in every case. The Commission's decision on the content of a programme was sometimes taken several months before the completion of the formal procedures (programme contracts). The regional and national authorities were duly informed of these decisions, as cooperation on the examination of programmes was extremely close.

#### 2.2. *The operational autonomy of the various financial instruments*

2.2.2 – 2.2.3. The Commission takes note of the Court's observation concerning the consequences which the independent operation of the various financial instruments (as provided for in Article 12 of Regulation (EEC) No 2088/85) will have for the integration of resources. Despite this drawback, however, the addition of Article 551 of the general budget has made for a greater degree of integration by reinforcing or supplementing the measures relating to a particular objective.

#### 2.3. *The IMP decisions and the decisions peculiar to each Fund*

2.3.2 – 2.3.4. The Commission would point out that there have been no rules for the coordination of the Funds other than those laid down for the reform of the latter, and that the points to which the Court draws attention arise from the normal application of the rules in force.

2.3.5. The IMP rules have not altered the decision-making processes followed for the purposes of each Fund and Community instrument, although the provisions laid down for the reform of the Funds do apply to the second phase of the IMPs. As regards the failure to devise more unified appraisal and approval procedures, the Commission would point out that:

- the appraisal of each programme was the responsibility of the supervising department,
- coordination structures (IMP Technical Group of the ICG) have been established,
- each programme was negotiated jointly with all the departments concerned,
- the measures financed by the various Funds were presented in a standardized form.

IMP operations, although not tailored to individual projects or beneficiaries (the approach is based on the programme as a whole), are nevertheless identified by the ESF and the EAGGF Guidance Section irrespective of the actual form of presentation. The Monitoring Committees also make regular checks on the physical and financial implementation of the operations covered by a given

measure, thus making it easier to distinguish between IMP and non-IMP operations.

#### 2.4. *Growth of aid to assist the IMP regions*

The Commission considers that the progress reports on the IMPs and the aid provided by each of the Structural Funds, supplemented where necessary by the information available to its departments, make it possible to assess the development of Community structural aid to the IMP regions.

It takes the view that, quite apart from any resources made available under Article 551, an increase in the aid to the IMP regions, if greater than the increase in the Structural Funds for the Community of Ten, would have adversely affected transfers from the Funds to other less prosperous or priority regions, and that this would have been contrary to Article 11 of the IMP Regulation.

As regards Greece, the Commission notes that aid from the Structural Funds has been increasing more rapidly than the overall trend for the said Funds, despite the Greek stabilization plan for the period 1985-1987, which influenced the level of national expenditure and, consequently, the use made of Community appropriations.

#### 2.5. *Preparation of the programmes*

2.5.1 – 2.5.6. The financial adjustments made during the preparation and negotiation of the programmes resulted in some delays and discretionary decisions. The Commission would point out, however, that the assessment of the programmes involved not only financial adjustments but also a clearer definition of objectives, and the identification of those measures which had the merits and timing best suited to achieve the said objectives.

It was essentially on this basis that the overall financial allocation was fixed for each IMP. If an indicative ceiling had been set for each programme from the outset, as advocated by the Court in paragraph 2.5.6, this would have restricted the qualitative scope of the programmes. Their overall character was maintained by concentrating the available resources on certain priorities and on certain geographical areas.

2.5.7 – 2.5.8. The approval of programmes was backdated beyond the date of submission only in the case of certain measures financed by the ERDF and in accordance

with the provisions of the Regulation concerned. In the other cases, retroactive approval to cover the period between submission and adoption was in accordance with the Regulation (and in particular the provisions of Article 12 in the case of the Regulations relating to the EAGGF Guidance Section's 'Mediterranean package') and had no significant financial impact, since the Commission ensured that the instalments concerned were duly reduced, while still compatible with the actual launching of the programmes.

The Commission had no choice but to comply with the complicated provisions of the IMP Regulation adopted by the Council, even if some of these rules, particularly those relating to appraisal and implementation, had undesirable consequences for the financial year in question.

At the Commission's instigation the second phase of the IMPs will be adopted in accordance with harmonized procedures which reflect the reform of the Funds.

#### 2.6. *The concept of the interaction and complementarity of the aid*

2.6.2. The Commission notes that the Court acknowledges the endeavours made at Community level and by the central authorities of the Member States to improve arrangements and to introduce new aspects. It would point out that the various meetings, discussions and briefings have helped to bring about such improvements, both at management level and elsewhere.

2.6.3 – 2.6.4. The IMPs have not encompassed all the other forms of aid for the regions concerned but have rather, given their financial limitations, represented one form of aid granted alongside the other traditional types of assistance provided by the Structural Funds and the Community instruments. As regards the cases specifically mentioned by the Court, it should be pointed out that Regulation (EEC) No 815/84 relates to the construction of vocational training centres for the city of Athens and improvements to psychiatric hospitals not covered by the IMP objectives. The STAR and Valoren schemes were designed to achieve specific sectoral objectives which do not overlap with the IMPs. As a rule, the IMPs have mentioned, as related measures, any other schemes financed through the normal operation of the Funds and helping to achieve the objectives of the IMPs themselves. The Commission has taken every precaution to ensure the complementarity of the various aids whilst guarding against any duplication.

2.6.5 – 2.6.6. The integrated approach does not rule out the pursuit of sectoral objectives, but for the purposes of the programmes such objectives have been redefined

(assistance for financial infrastructures) and tailored to local requirements (definition of core areas). It is true that enhancing the complementarity of aids calls for a change of mentality. In the Commission's opinion, this would be facilitated by a single decision-making process and by the coordination of regional and national work on the preparation of programmes, with a view to ensuring consistency between resources and priorities. Such consistency has been difficult to achieve because of the large number of decision-taking authorities and the fact that each managing department has its own specific areas of competence.

### 2.7. Aid and loans

The forecasts for the utilization of EIB loans were examined, in respect of each individual measure, in the course of the appraisal of the programmes. Wider recourse to the EIB is hampered by practical difficulties arising from the attractiveness of EIB loans, the covering of exchange risks and interest-rate subsidies on national loans. Moreover, the availability of EIB loans (for which the IMP Regulation merely forecast a figure) would appear to have been overstated.

There are several reasons for the lack of interest in loans under the IMP arrangements:

- investments on a particularly small scale,
- specific nature of IMP programmes, which are largely concerned with certain types of local development schemes (vocational training, counselling services for small businesses, etc.) where EIB assistance would be difficult to handle, since genuinely eligible investments cannot always be identified,
- nature of the projects financed, which usually necessitate substantial budget subsidies.

### 2.8. Periods specified for carrying out the programmes

2.8.4–2.8.5. The maximum duration referred to in Article 1 of Regulation (EEC) No 2088/85 relates to the scheduled duration of the programme. Thus, the last budget year for which there is an allocation under the Structural Funds and/or Article 551 is 1992, in accordance with Article 11 of the said Regulation. The 1992 time limit does not therefore apply to eligible expenditure or to commitments and payments. Under Article 19 the deadline

of 31 December 1993 is the final date for commitments for expenditure, whilst payments will be made under the rules governing the Funds and under the Financial Regulation in force. The Commission has made it known that it does not intend to extend the validity of the programmes. As regards the duration specified in the programme contracts, this relates to the arrangements for monitoring the IMPs.

### 2.9. Experience acquired from IMP preparatory pilot schemes

The Commission has already explained to the Court its position as regards the preparatory schemes. It would reiterate the following points:

- (a) the pilot schemes must not be confused with the IMPs themselves since they were trial runs for the integrated approach and lacked any *ad hoc* legal basis;
- (b) on the basis of the experience thus gained, specific steps were taken to remedy, as far as possible, the imperfections noted in the course of the pilot schemes namely:
  - the creation of an IMP Technical Group under the umbrella of the Interdepartmental Coordination Group,
  - the establishment of the Monitoring Committee and its machinery (monitoring and assessment),
  - the establishment of a Unit in DG XX with responsibility for the control of IMPs,
  - stricter and more transparent management of programmes.

As regards the gathering and processing of financial data in particular, the Commission has established a system of monitoring at local level and has recently developed a system for the exchange of information to keep track of IMP operations and thus make for coordinated management.

As regards new programmes and the reform of the Funds, efforts are being made to improve the provision of information, drawing on the experience gained so far (pilot schemes and IMPs), including:

- the establishment of an interdepartmental data-exchange system, for which responsibility is borne by

the supervisory department. This computerized system will provide the departments concerned with access to all the data concerning each aid operation,

- the establishment of coordination arrangements for each Member State. This is the responsibility of the supervisory department, which takes all the necessary precautions in respect of environmental matters, public contracts, etc.

2.9.5. The Commission cannot agree with the Court's conclusion that little or no account was taken of the difficulties encountered as a means of improving the situation. As regards the Monitoring Committees, the Commission would refer the Court to paragraph 3.3 below.

### 3. PART TWO: THE INITIAL PHASE OF IMP IMPLEMENTATION

#### 3.2. *The incidence of commitment and payment procedures*

3.2.2 – 3.2.4. As regards the commitment and payment procedures, it should be pointed out that the instalments already paid were for the first two years of the programmes' implementation (1986 and 1987) and involved relatively small amounts.

The Commission would disagree with the Court's remarks concerning the procedure for the commitment of annual instalments and would point out that, when approving programmes, it publicly announces the level of aid which it is setting aside for each programme and the fact that it intends to commit appropriations for this purpose. After the initial commitment on the basis of the approval decision, subsequent commitments are made at administrative stages corresponding to the progress made on implementing the programmes. At national level, however, some difficulties have cropped up because of budgetary procedures which do not always ensure that the national contribution continues to be made available from one year to the next.

3.2.5. As regards the anomalies in the passing of commitments to the accounts, the Commission would point out that the rules for the reform of the Funds do not affect the continuation of multiannual operations approved before the reform came into force. Consequently, operations financed by the Funds in areas eligible under Objectives 1, 2 and 5b after 1 January 1989 are charged to the overall budget for these objectives, since the contribution of the Funds to the implementation of the IMPs does not represent an additional burden. Any operations carried

out in areas which are no longer eligible are financed as transitional measures.

#### 3.3. *The difficulties encountered by the Monitoring Committees and in the setting-up of the monitoring system*

3.3.3 – 3.3.4. When setting up the Monitoring Committees, the Commission was not trying to superimpose a new administrative structure or to alter the existing structure. The composition of the Committees and the powers with which they were endowed have made them invaluable as steering instruments which not only provide the necessary impetus but also have the power to take decisions and adjust programmes within certain limits. At the Commission's instigation and in the context of technical assistance, specific resources have been made available to these Committees so that they can perform their tasks. These include the computer equipment for the secretariat of each Committee, a system of monitoring and installation assistance, and the joint designation of a body for the independent assessment of programmes. In addition, the Commission has taken steps to broaden the role and the powers of the Chairman and members of the Monitoring Committees (particularly in Greece), to provide them with training and to keep the final beneficiaries informed (back-up).

3.3.5 – 3.3.6. The computerization of the monitoring systems, although well advanced, will take some time, and the resulting difficulties are of course compounded by the backwardness of the IMP regions.

The introduction of computer techniques has met with some resistance, since they represent an innovation and will ensure the transparent management of funds.

#### 3.4. *The rather unreliable nature of the data available*

3.4.1 – 3.4.4. The Commission notes that the on-the-spot audits revealed discrepancies between the documentary evidence provided by certain Monitoring Committees and the actual measures implemented. The Commission would point out that the checks made on the IMPs are at least as numerous as those on aid from the Funds. In the case of Article 551, a special control unit has been set up within

DG XX and has carried out numerous audits which are taken into account by the administrative departments with a view to improving the quality of the system.

3.4.5. The Commission would stress that although, in the context of the report, certain data relating to the French IMPs were calculated on the basis of estimated percentages of operations, these data have no financial or accounting significance. The data in question were subject to adjustment at a later date.

### 3.5. *Additional contribution from the specific budget article*

3.5.3. In the case mentioned here, the use of aid from Article 551 to finance forestry protection operations eligible for EAGGF assistance was the result of an administrative error at national level; the IMPs provide for a recovery procedure to deal with such situations. In addition, the programmes include adjustment clauses so that changes can be made if the progress on the implementation of the various measures does not keep pace with the original financial estimates.

3.5.4 – 3.5.5. Increasing the rate of subsidy makes it possible to adjust the aid according to the priority of the measure concerned and the financing capabilities of the Member State and the sponsor. Thus, the subsidy rate may vary from 10 to 70 %.

The Commission considers that the 'watering down of the conditions determining entitlement to Community aid' allows for the inclusion of measures which are complementary and contribute more directly towards the achievement of a given objective. The Commission and its partners have found, for example, that the diversification of agricultural crops sometimes calls for the modernization of small farms and for marketing and promotion schemes which would not be eligible for aid from the EAGGF Guidance Section.

In such cases, aid from the additional budget heading (Article 551) has made for the optimum integration and enhanced effectiveness of measures contributing towards the achievement of redeployment objectives.

The reform of the Structural Funds makes provision, in any case, for the modulation of subsidy rates and for the relaxation of the eligibility conditions.

### 3.6. *Financing difficulties*

On several occasions the Commission, concerned at the delays in implementing a number of IMPs, has reminded the national authorities concerned of their obligations under the IMP contracts, in which the Member States undertake to adopt the necessary administrative and financial measures to facilitate the effective and prompt implementation of the IMPs.

The Commission would also point out that the additional question did not specifically arise until after the adoption of the rules for the reform of the Funds.

As regards the 'roundabout route' (3.6.1), the Commission would recall the steps which it has taken to improve the transmission of aid and the operation of the said routes:

- in Italy and France, recourse to the use of such mechanisms as revolving funds or cash reserves,
- transcription of each IMP measure into the budget for the public works programme in Greece and into the regional budgets in Italy,
- establishment, with the French Ministry of the Interior of a budget heading to ensure the rapid transfer of aid to the regions,
- numerous approaches to the Italian authorities, even at the appraisal stage, concerning the availability of the national contribution.

### 3.7. *The effectiveness of the IMPs*

3.7.1 – 3.7.2. The Commission takes the view that the impact of the IMPs in terms of development cannot be assessed until three to five years after the completion of the programmes. On the other hand, programmes are subject to ongoing assessment during their implementation, essentially for the purposes of identifying discrepancies between the schedule and the actual rate of implementation and suggesting any corrective measures which need to be taken.

Alongside the monitoring system, which operates on the basis of certain physical and financial indicators, a system of ongoing assessment has gradually evolved. It represents a significant new breakthrough in the management of the IMPs and there is considerable evidence pointing to its usefulness in the effective implementation of the IMPs.



3.7.3 – 3.7.5. The appointment of an independent assessment body in the structural policy context called for a change of mentality at both national and local levels. The specialized bodies in question are appointed following the issue of public invitations to tender.

As regards the reports, the Commission took the initiative, once the first documents were available, of holding a seminar in each country to work out the methods of assessment to be used.

3.7.6 – 3.7.10. The Commission can provide the full facts and figures concerning the five measures in question. Generally speaking, the Court's findings should also be placed in a wider context, given that the projects concerned are geared to the achievement of objectives scheduled over a seven-year period. It is only in the longer term that it will be possible to pass any final judgement on whether these measures were justified and consistent with the objectives of the programme.

#### 4. CONCLUSIONS

In addition to the answers given to the various points raised by the Court, the Commission wishes to make the following observations.

Like the Court, the Commission is concerned by the substantial delays affecting the implementation of several IMPs, particularly in the Mezzogiorno. It is taking the steps which it deems appropriate to improve this situation.

As regards the remarks made by the Court in paragraph 4.9, the Commission must draw attention to the following points:

The IMPs introduced such ideas as partnership, programming, monitoring and assessment, which were then adopted for the purposes of the reform of the Funds. Admittedly, the ambitious and innovatory approach followed by the IMPs and the introduction of more transparent and rational management have given rise to certain difficulties because of the time needed to change administrative attitudes at Community, national and regional levels. The Commission would stress that the IMPs represent a break with tradition in the provision of aid at these various levels, and that the IMPs were launched without a legislative basis as specific or advanced as that laid down for the reform of the Funds.

The Commission feels, however, that the solutions which are gradually being found to the difficulties encountered will help with the implementation of the IMPs and will facilitate the reform of the Funds. These solutions have included additional assessment procedures (ex-ante, ongoing and ex-post), monitoring at two levels (Community support frameworks and operational aid), the coordinated management of structural aid, the exchange of information between management departments, and the development of more sophisticated management systems for the DGs administering the Funds. It should also be mentioned that the provision for monitoring, assessment and partnership has been placed on a firmer legislative footing.

Lastly, the Commission would point out that the principle of subsidiarity, to which it is particularly attached both for political reasons and because of its economic effectiveness, calls for a definition of the role and responsibility of each partner. The implementation of the programmes is the responsibility of the national and regional authorities and consequently, the Commission cannot take the place of these authorities in the event of any failures or shortcomings which may affect the achievement of the objectives or the implementation of the measures originally planned. The procedures now in use (such as the monitoring and assessment procedures) draw attention to these difficulties, with the result that those in charge of the implementation of programmes are reminded of their responsibilities.

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