

SPECIAL REPORT No 16/98
on the implementation of appropriations for structural operations for the programming period
1994-1999, together with the Commission's replies

(submitted pursuant to Article 188c(4)(2) of the EC Treaty)

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1. INTRODUCTION

1.1. This report deals with the implementation of Community appropriations for structural operations in the 1994-1999 programming period during the financial years 1994 to 1997. It examines in particular the utilisation of appropriations in relation to the overall funding granted to structural operations and to the Structural Funds for the period 1994-1999, in keeping with the decision of the Edinburgh European Council of 11 and 12 December 1992 and the provisions of the Act of Accession for the three new Member States. The consequences of this implementation of appropriations on future financing are analysed in relation to the financial perspective. The reasons behind the under-use of appropriations and the delays in the use of the overall financial allocations have been analysed with the aid of questionnaires sent to the Member States and on-the-spot visits.

2. SUMMARY OF MAIN OBSERVATIONS

2.1. Overall, at 31 December 1997, the implementation of the programming for the structural operations achieved a level that was close to the initial estimates, in spite of the delays that had been noted at the beginning of the period. Nevertheless, significant disparities are apparent per field and per Member State (see paragraphs 3.1-3.4).

2.2. In 1994 and 1995 there was found to be under-use of commitment and payment appropriations. In 1996 and 1997, by contrast, the rate of implementation for appropriations under the main headings, in particular the ERDF, the ESF and the Cohesion Fund, was almost 100 %. For the Community initiatives, however, the rate remained low. In 1997, the Commission was unable, because of the lack of payment appropriations, to act upon payment claims totalling around 1 500 Mio ECU (see paragraphs 3.5-3.7).

2.3. In order to make up for the delays in implementation of the commitment appropriations of the Structural Funds (SFs), the 1999 budget will need to provide for 3 171 Mio ECU in addition to the appropriations originally planned in the financial perspective, i.e. about 2 % of the total appropriations of the SFs. The cases of under-use of payment appropriations that have been noted, particularly at the beginning of the period, have led to a use of own resources that was unnecessary. Part of the surpluses from previous financial years can be ascribed to this (see paragraphs 3.8-3.10).

2.4. The objectives for structural expenditure set by the financial perspective are reflected in the Community budget in terms of annual commitments. One of the

Commission's main concerns every year is to achieve the planned levels of commitment. The techniques that have been developed to endeavour to achieve this aim require great effort on the part of the Commission and the Member States, especially as regards the amendments to financial plans. These plans are drawn up and amended in order to serve as a basis for making the necessary commitments (see paragraphs 3.11-3.12).

2.5. The lack of reliable, up-to-date information on the physical and financial implementation of the structural operations at all levels of management (Community, national and regional) makes it very difficult to monitor these measures. Feedback on the actual state of progress of the operations is very slow. Certain budgetary and accounting practices and a complex and badly managed indexing system make it even more difficult to obtain an accurate picture of the situation. The attempts at setting up joint databases have met with failure. Consequently, the data which the Commission presents in its revenue and expenditure account and balance sheet as commitments not included in the balance sheet are not complete (see paragraphs 4.1-4.21).

2.6. The cases of under-use on some headings concerning structural operations and the lack of appropriations for others, coupled with the scale of the transfers of appropriations carried out within these budget headings, highlight the lack of reliable expenditure programming and the shortcomings of the budgetary forecasting procedures (see paragraphs 5.1-5.10).

2.7. The poor rate of utilisation of appropriations at the beginning of the period could have been foreseen, bearing in mind the delays in the adoption of the regulatory framework — the Community Support Frameworks (CSFs) and the single programming documents (SPDs) — and the forms of intervention, and the periods of time laid down for implementing the operations (see paragraphs 6.4-6.7).

2.8. An analysis of the forms of intervention that have the lowest levels of use of appropriations shows that the delays in implementation relating to these are causally linked in particular to one or more of the facts or situations described below:

- the differences between the Community budgetary and financial implementation procedures and the national ones (6.8, 6.10);
- cases where the application of basic aspects of eligibility, such as the notion of legal and financial commitment, gives rise to some uncertainty (6.9);
- the difficulties in applying the integrated approach (6.11, 6.12, 6.15, 6.16, 6.19, 6.20);

- weaknesses in the financial and physical monitoring, and the malfunctioning of the Monitoring Committees (6.13, 6.29);
- lapses in the coordination (6.17, 6.18);
- overlapping of the programming periods (6.21);
- the length of time taken for the presentation and handling of the payment claims (6.32, 6.33);
- the optimism of the financing plans, the weak *ex ante* evaluations of the operations, particularly as regards private investments, and the lengthiness of the administrative procedures (6.34-6.39, 6.42, 6.50-6.52);
- fluctuations in the exchange rates (6.43-6.44);
- the fact that some beneficiaries are not familiar with the eligibility rules (6.45);
- exceptional circumstances (6.46, 6.53).

2.9. Bearing in mind the limited resources that the Commission has at its disposal and the large number of programmes, the Court finds that the Commission has devoted considerable effort to the programming, management and evaluation. One it has simplified the eligibility criteria and clearly divided up responsibilities within the framework of the partnership, the Commission should give priority to applying genuine management by objective and by programme — a basic concept of the reform — at all levels (programming, evaluation, organisation, monitoring, checks). Attention should also be drawn to the efforts made by many administrators in the individual Member States. Nevertheless, the national systems need strengthening at the levels mentioned. The way some of the Monitoring Committees are run should also be improved.

3. FINANCIAL PROGRAMMING AND BUDGETARY IMPLEMENTATION OF THE STRUCTURAL OPERATIONS

3.1. In 1992, the Council made provision for a sum of 141 471 Mio ECU for commitment under the Structural Funds for the period 1994-1999, to which was added 4 747 Mio ECU in 1995 for the three new Member States. The annual distribution of these amounts was also planned (see *Table 1*). The complex procedure for allocating these resources by objective, Member State and Community initiative (CI) has not always been based on objective criteria, mainly where the Community

initiatives are concerned, for which the procedure has, moreover, been lengthy ⁽¹⁾.

3.2. Out of a total of 137 634,5 Mio ECU at current prices that was provided for under the CSFs of the 12 Member States of that time for the entire period 1994-1999, 83 488,2 Mio ECU was committed between 1994 and 1997, i.e. 60,7 %. In relation to the estimates for the first four years (85 411,4 Mio ECU), this is a rate of 97,7 %. The volume of payments that have been made is 61 995,3 Mio ECU, i.e. 72,6 % of the planned commitments (see *Table 2*). This may be regarded as reasonable, in view of the start-up difficulties and the planned staggering of the payments. An additional period of two years is usually granted for making the payments to the beneficiaries, and the final implementation reports have to be presented within six months of the end of this period.

3.3. A sum of 2 285,9 Mio ECU was committed under the CSFs of the three new Member States for the period 1995-1999, which represents 89,8 % of the amounts programmed for the first three years of that period. Payments totalled 1 636 Mio ECU, i.e. 64,3 % of the commitment estimates (see *Table 3*). These lower rates can be attributed to the fact that these States have had to set up procedures for managing the SFs.

3.4. The degree of progress made in the programming in relation to the initial estimates differs from one Member State to another. The rate of commitment varies between 112,6 % and 71,2 %. For payments, the rates vary between 90,7 % and 47,4 %. In terms of objectives, Objective 1 (O1) has the best performance (101,3 % in commitments) whereas Objectives 5(a) (fisheries part) (75,4 %) and 5(b) (75,2 %) are lagging behind.

3.5. Out of an amount of 14 471,1 Mio ECU programmed under the CIs for the period 1994-1999 and 9 078,6 Mio ECU for the first four years, commitments amounted to 7 661,5 Mio ECU, i.e. 84,4 % of the total planned for these years, and payments amounted to 4 165,3 Mio ECU, i.e. 45,9 % (see *Table 4*). The delays in the adoption of the guidelines and the difficulties encountered in drawing up and adopting the numerous programmes concerned are the cause of the low rates of implementation that have been noted, especially at the beginning of the period. The Court has already drawn

⁽¹⁾ The corresponding data are included in a set of annexes to this report available on request from the European Court of Auditors (see *Table 10*).

attention to the shortcomings in the management of these CIs in its previous annual reports ⁽²⁾.

3.6. The rates of implementation for commitment appropriations varied between 91,1 % in 1994 and 98,4 % in 1996. For payment appropriations, the corresponding rates rose from 72,5 % in 1994 and 80,3 % in 1995 to 98,6 % in 1997. The low rate of implementation for payment appropriations in 1994 and 1995 led to a very large volume of these appropriations being cancelled (5 330 Mio ECU in 1994 and 4 425 Mio ECU in 1995) (see *Table 5*). In 1997, however, the shortfall in appropriations on some headings, especially the ESF and the ERDF, meant that it was not possible to make payments totalling some 1 500 Mio ECU.

3.7. This table highlights the disparities in the implementation of various structural operations. For example, the ERDF and the Cohesion Fund still show a rate of utilisation of commitment appropriations of nearly 100 %, whereas the CIs show mediocre results, especially in 1994 and 1997 (12,9 % and 61,4 % respectively). For the payment appropriations of the Cohesion Fund, the rate of utilisation was 52,5 % in 1994 but achieved almost 100 % in 1995, 1996 and 1997. The ERDF and the ESF used up virtually all their appropriations in 1996 and 1997 whereas in 1994 and 1995, together with the CIs, they were the cause of most of the cancellations of appropriations.

3.8. The financial perspective was adjusted to the implementation conditions of the structural operations. These adaptations, not taking into account any cases of under-use that may arise in 1998, have led to about 3 171 Mio ECU and 118 Mio ECU in appropriations for commitments being carried forward to the financial year 1999 in respect of the SFs and the Cohesion Fund respectively. For appropriations for payments, the overall effects are in the region of 1 405 Mio ECU for the financial year 1999 (see *Tables 6 and 7*). In view of the ceilings fixed under the system of own resources and the Interinstitutional Agreement on budgetary discipline, the requisite appropriations could be entered in the 1999 budget.

3.9. For all the SF objectives, the proportion of payments in relation to commitments is 74,2 % whereas for the CIs it is only 54,4 %. This proportion varies from one Member State to another, ranging for all the SFs from 88,4 % for Ireland to 57,4 % for Italy ⁽¹⁾.

3.10. A comparative analysis of the budgetary implementation with the annual estimates shows a lack of commitments and payments in 1994 for certain

countries and objectives which stems from the fact that no aid measure had yet been adopted. This was the case in particular for Objective 2 (O2) in Spain, the only country which did not opt for the SPD formula, or for Objective 5(b) (O5b) in Belgium. The delays that were found at the beginning of the period were made up in 1996 and 1997. Thus, for example, the cumulated payments in relation to the estimates rose from 51,7 % in 1994 to 77 % in 1997 for O1, from 44,7 % to 65,6 % for O2 and from 34,5 % to 55 % for O5b. As regards Italy and for O1, this percentage rose from 18,6 % to 55,5 % ⁽¹⁾.

3.11. For all the O2 aid measures in the period 1994-1996, the financial plans drawn up under the initial programming had to be rescheduled, which meant that they were concentrated on the final year (see *Table 8*) and that large amounts from the Structural Funds ⁽¹⁾ were transferred to the period 1997-1999.

3.12. The Community's rules for financial management were not intended to establish a precise, direct link between commitments and payments on the one hand and the progress of aid measures on the other, whether at the level of the administrators, the final beneficiaries or the ultimate beneficiaries ⁽³⁾. On the one hand, where the Community aid that is granted does not exceed 40 Mio ECU, the commitment for the whole period can take place at the time the decision is adopted. On the other hand, the link between the expenditure incurred and the Community appropriations disbursed is more and more tenuous. The rescheduling of the financial plans leads to new payments being made despite a low rate of progress in the aid measures. For some activities, the commitments and even the payments may temporarily be higher than the estimates, because the corresponding adjustments are not made until the first financial operation after an amendment. Lastly, the considerable delays in the circulating of financial data further reduce their value in terms of reflecting the true situation of the aid measures. As for the situation at 31 December 1997 regarding payments made by national, regional and local bodies to the final beneficiaries, no exact information can be provided because of the shortcomings and delays in the systems for monitoring data.

4. EXISTING INFORMATION ON THE IMPLEMENTATION OF STRUCTURAL OPERATIONS

4.1. The task of analysing structural operations is hampered by shortcomings in the reliability and updating

⁽²⁾ See the Annual Report of the European Court of Auditors concerning the financial year 1995 — SME, Leader and Adapt; Annual Report of the European Court of Auditors concerning the financial year 1994 — Interreg.

⁽³⁾ Those involved here are, for example, project managers for operations coming under final beneficiaries or companies receiving support under aid schemes.

of the information needed for this purpose. These weaknesses, which exist at various levels (Community, national and regional), concern in particular information about how the programming is progressing and details of the implementation of aid measures in the field. There is no overview of the whole situation regarding the programming of structural operations for a given period.

4.2. As requested by the Court⁽⁴⁾, in 1996 the Commission started to show, in its revenue and expenditure account and balance sheet, information concerning the multiannual obligations connected with structural operations as off-balance-sheet commitments. The figures presented for the financial year 1997 are still incomplete⁽⁵⁾. The fact is that the Commission departments draw up a table setting out the off-balance-sheet commitments on the basis of the SF allocation in accordance with the financial perspective, deducting the cumulated commitments. This procedure does not make it possible to distinguish between, on the one hand, the amounts corresponding to existing legal obligations arising from decisions that have already been made, and, on the other, the amounts that still have to be allocated. Information on the Cohesion Fund was presented, for the first time, in 1998.

4.3. The Commission's practice with regard to commitments by annual tranches varies depending on the department concerned. These practices consist in making no adjustment to the commitments after reprogramming and in charging payments to the oldest commitments⁽⁶⁾. They make monitoring difficult and lead to a situation where the aid measures are artificially fragmented into annual tranches and then this temporal link is forgotten when they are being implemented.

4.4. In its Opinion No 4/97⁽⁷⁾, the Court recommended that the practice of committing structural measures by annual instalments be abandoned, as it 'is an anomaly and an oversight of the fact that, for multiannual operations to which differentiated appropriations are allocated, it is the payment appropriations that must ensure conformity with budgetary annuality and the regularity of the amounts spent from one financial year to another'.

⁽⁴⁾ See the Annual Report of the Court of Auditors concerning the financial year 1994, paragraphs 5.7 and 5.113.

⁽⁵⁾ See the Annual Report of the Court of Auditors concerning the financial year 1997, Chapter 8 relating to the Statement of Assurance, paragraph 8.58.

⁽⁶⁾ See the Annual Report of the Court of Auditors concerning the financial year 1996, Chapter 21, paragraph 21.4. — Report in support of the 1995 DAS, Volume I, paragraphs 3.34-3.35.

⁽⁷⁾ Opinion No 4/97 of the European Court of Auditors on a proposal for a Council Regulation (Euratom, ECSC, EC) amending the Financial Regulation of 21 December 1997 applicable to the general budget of the European Communities, paragraph 2.16 of the Annex.

4.5. The practice of making commitments by tranche, provided for in the regulations governing the Structural Funds, is a deliberate exception to the general provisions laid down in the Financial Regulation. This commitment by tranche maintains the present paradoxical situation whereby the expenditure objective is fixed in terms of annual commitments of the Community budget. In reality, the objectives thus defined are *de facto* undermined right from the beginning of the period, when the programmes are adopted, as this adoption defines the total cost of the legal obligations entered into by the Community, with this cost itself being pre-defined under the financial perspective and the framework Regulation. The role played by the administering departments thus consists in putting this situation on a formal footing by making the budgetary commitment, which then involves no more than merely making accounting entries. However, the number of operations, the complexity of the calculations required in order to put the operations on a yearly basis, and the cumbersome procedures for amending the financial plans for the measures all mean that the Commission departments concerned and the Member States have to devote a considerable portion of their resources to this.

4.6. These operations are carried out throughout the duration of the programmes, but they assume greater importance at the end of each programming period when the majority of the financial plans have to be rescheduled. This situation, which was observed for the period 1994-1996 of Objective 2, will recur in 1999, for the sole purpose of being able to commit all the planned amounts of overall funding.

4.7. It is difficult to obtain an overall picture of how the structural operations are being managed by the various Commission departments because this management is so compartmentalised. Databases have been set up in each of the departments, but no provision has been made for linking them up so that the data can be cross-checked and compared. Their main purpose is to enable the budgetary implementation of the portion of the aid measures managed in each department to be monitored; they are of only very limited use for overall monitoring. The ARINCO database has the advantage of being common to all the SFs, but, because of the lack of basic data, the poor quality of the data available and the failure to update them regularly, this instrument is inoperative.

5. BUDGETARY PROCEDURES FOR STRUCTURAL OPERATIONS

5.1. An analysis has been made of the detailed budgetary implementation of commitment and payment appropriations⁽¹⁾. This has taken account of not only transfers in the strict sense but also 'reassignments' of appropriations within a budget item. In the case of the

CI, a single budget item was created for each of these initiatives or their different aspects. However, the aid is granted under the ERDF, the ESF, the EAGGF-Guidance or the FIFG without this fact being reflected in the budget. When the items concerned by the CIs are implemented, the internal allocations are made by the authorising officer responsible for the management of each Fund. The 'reassignments' consist in reallocating the appropriations available under the CIs between the different SFs.

5.2. The scale of the transfers and 'reassignments' of appropriations, which involve several thousand million ecu each year in both commitments and payments and which concern virtually all the items, is evidence of the lack of rigour in the budgetary estimates. Cases of considerable under-use of appropriations were offset by overruns on appropriations elsewhere. By way of example, as regards the ERDF O2 payment appropriations, there was a negative transfer of 584,5 Mio ECU in 1996 (33 %) and a positive transfer of 874,6 Mio ECU in 1997 (48 %).

5.3. There are several circumstances that can explain this situation. The estimates for commitment appropriations globally adopt the annual objectives laid down in the financial perspective. These appropriations are broken down by budget heading on the basis of the financial plans for the CSFs and SPDs.

5.4. The estimates for payment appropriations are drawn up by applying percentages, calculated in accordance with the theoretical and historical trend in payments, to the commitment appropriations of the year and to the amounts still to be settled.

5.5. The forecasts for appropriations are drawn up by the Commission departments at the beginning of the preceding financial year, and the initial entries of appropriations in the budget and the way in which they are broken down by item are rough estimates which, as is apparent right from the beginning of the budgetary procedure, bear little relation to reality. Until 1998, neither amending letters nor preliminary draft amending and supplementary budgets were drawn up to take account of the true trend in aid measures and the continual amendments to the financial plans. The Commission rectifies this situation by making use of transfers.

5.6. In 1994, given the late adoption by the Commission of the guidelines relating to the CIs, it became apparent that the majority of the programmes could not be approved during the year. However, transfers were made to the budget items for the CIs from the reserve (Chapter B0-4 0 of the budget). They proved to be unnecessary, because at the end of the financial year 1994, the

implementation rates were only 12,9 % for commitments and 41,2 % for payments. The need to budgetise these amounts, which it was obvious beforehand could not be mobilised, was justified by the Commission as a necessary stage in order to transfer unused allocations to subsequent years, by way of interpretation of paragraph 10.2 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure.

5.7. The financial plans for the aid measures, drawn up by year, bring together the planned expenditure for the entire period of eligibility of the commitments. It is therefore logical to conclude that the figures shown in these plans represent estimates of commitments for the measures. However, when amendments are made, the revised plans include the expenditure actually incurred for the years that have passed plus new estimates for the years still to come. They thus become hybrid in nature and are in fact made up of neither commitments nor payments but of a mixture of these two categories of operations. The latter years of the commitments' period of eligibility are thus artificially inflated since they contain payment estimates that can be carried out in the Member States for two extra years not included in the financial plans. The usefulness of these plans is thus limited, and yet they constitute a key element in the process of drawing up the preliminary draft budget.

5.8. The indexing method for the SFs was made more flexible for the period 1994-1999⁽⁸⁾. The additional resources generated by the indexation of each CSF, SPD and CI have to be calculated by the Commission departments, at the latest by the beginning of each year, by applying the indexation rate for the year in question to the annual instalments referring to the same year and to the following years. These resources can be used to increase the Community aid of existing aid measures and/or to finance new operations. The Monitoring Committees propose these allocations, which are decided by the Commission.

5.9. In practice, and bearing in mind the delays at each stage of this procedure, the resources arising from indexation have not been used and have thus remained potential, pending a formal decision by the Commission, without having been recorded. For example, the resources transferred from the 1994-1996 period to that of

⁽⁸⁾ Commission Regulation (EC) No 402/94 of 23 February 1994 amending Regulation (EEC) No 1866/90 on arrangements for using the ecu for the purposes of the budgetary management of the Structural Funds.

1997-1999 under the O2 were not used until the decisions to grant them were taken in 1997 and 1998. This situation makes it even more difficult to keep abreast of the state of progress of the programming.

6. DELAYS IN THE UTILISATION OF COMMUNITY APPROPRIATIONS AT THE LEVEL OF CERTAIN INDIVIDUAL FORMS OF INTERVENTION

General observations

6.1. As part of this audit, an analysis was made of the various reasons that may underlie the delays in the utilisation of Community appropriations, classified below in four categories: programming, financial channels, mobilisation of resources and implementation; this involved examining the documents available, in particular the implementation and evaluation reports and the minutes of the Monitoring Committees. This work was followed up by audit visits to the Member States and by a questionnaire sent to selected administrators; *Table 9* shows a summary of the replies received. For the purposes of drafting this questionnaire, a list was drawn up of the reasons actually behind the cases of under-use of appropriations. Apart from reasons of a structural nature, such as the large number of aid measures or the delays in the adoption of the CIs, about 40 reasons were identified. The questionnaire was sent to the administrators of the 31 forms of intervention co-financed by the ERDF and belonging under Objectives 1 and 6 which, at 31 December 1996 (midway through the implementation period), had the lowest rates of use of appropriations of all the SFs⁽⁹⁾. It should be emphasised that the questionnaire is therefore targeted at a particular sub-population and that the replies cannot be extrapolated to all the aid measures. Even though the sample of programmes thus examined is not representative of this whole, the results of the survey have nevertheless proved to be useful for illustrating the problems involved in using appropriations.

6.2. The majority of the administrators who replied to the questionnaire regarded the delays in the adoption of the CSFs and SPDs as the chief cause of the low rates of utilisation of Community appropriations. The regulations governing the SFs for the 1994-1999 programming

period were not adopted until July 1993⁽¹⁰⁾. It was thus difficult for the aid measures to start up as of 1 January 1994, as that left only five months to set up the partnership, draw up the plans for the various objectives and submit them to the Commission⁽¹¹⁾, define and adopt the decisions concerning the CSFs or, where appropriate, the SPDs, make suitable *ex ante* evaluations, and present and approve the aid requests. Furthermore, the plans under O2 and O5b could not be drawn up until the lists of eligible areas were determined, and the Commission did not do this until 20 and 26 January 1994 respectively⁽¹²⁾.

6.3. The coordination Regulation stipulated, except where otherwise provided for by the Member State concerned, that, within three months of the entry into force of the Regulation (3 August 1993) or the drawing-up of the lists of eligible areas, the corresponding plans should be submitted, and within six months of these plans being received the Commission Decisions approving the CSFs should be adopted. Lastly, the CSFs and the SPDs for O1 were adopted in the summer of 1994, and those relating to O2 in December 1994. Subsequently, the CSFs had to be made more specific by means of the adoption of the OPs, overall subsidies and individual projects. It would have been expedient if this process could have been completed in 1994, but this was not possible.

6.4. Furthermore, the same coordination Regulation⁽¹³⁾ required the Commission and the Member States to ensure that the actions accounting for at least two thirds of the Fund aid for the first year of the CSFs be approved by the Commission within two months of the adoption of the decision relating to the CSFs. This was not the case, especially with regard to O1 in Italy and O2 in Spain.

6.5. Furthermore, at 31 December 1997, large amounts of the planned overall funding had still not been distributed, and there were the results of the indexation. As regards the period 1997-1999 of the O2, for which the delays in the adoption of the regulations cannot be used by way of justification, several decisions to grant aid were not approved until 1998.

⁽⁹⁾ 54 replies to the questionnaire were received. This number is higher than the 31 interventions selected because, for some interventions, several partners replied separately. O1 was chosen because of its size (it represents more than two thirds of the overall funding for the SFs) and because all the Funds are involved in it. O6 was selected because it is analogous with O1. The analysis of O2 was made on the basis of records.

⁽¹⁰⁾ Regulations (EEC) No 2080/93, (EEC) No 2081/93, (EEC) No 2082/93, (EEC) No 2083/93, (EEC) No 2084/93, (EEC) No 2085/93 of 20 July 1993 (OJ L 193, 31.7.1993).

⁽¹¹⁾ Regional development plans (O1); regional and social conversion plans (O2); rural development plans (O5b); plans under Objectives 3 and 4.

⁽¹²⁾ Commission Decisions 94/169/EC and 94/197/EC.

⁽¹³⁾ Article 10(2) of Regulation (EEC) No 4253/88.

6.6. One of the other main causes of the delays in the utilisation of Community appropriations is, in the eyes of the majority of administrators, the slowness of the Community and national procedures set up in order to ensure compliance with Community rules.

6.7. Further delays may be caused by the integration of national budgetary implementation procedures with the management of Community appropriations relating to the implementation of multiannual programmes. Thus, where the way in which the expenditure is managed does not depend on the origin of the funds, the slowness of the budgetary implementation procedures linked to the existence of Community co-financing is not regarded as an important factor in the delays. However, where new procedures have to be added, or where separate files have to be made for the management of the Community appropriations and the national counterpart funds, the administrators regard this factor as important or very important. Often, there are lengthy administrative procedures that have to be gone through for Community appropriations to be integrated into the national procedures for budgetary implementation, and this does not make it easy for the aid measures to go ahead speedily and flexibly. Where this integration is done project by project, a large number of tailor-made budgetary and accounting operations have to be carried out when it is implemented.

6.8. The provisions governing the financial implementation of the SF multiannual aid measures are based on the Community budgetary implementation procedures for differentiated appropriations. At both Community and national level, two different periods exist side by side: one for implementing commitments and the other for making payments. However, this concept of multiannual commitment is very often alien to the budgetary procedures applied in the Member States by the public authorities and by businesses.

6.9. The concept of legal and financial commitment at national level and the determination of the point in time when this was done are basic factors in establishing the eligibility of expenditure⁽¹⁴⁾. Determining these dates poses a very important problem for the administrators, which is difficult to overcome in practice, and it gives rise to uncertainty. In some cases and in order to introduce certainty as to the date of commitment, new procedures have been introduced. In other cases, protracted

discussions are being held in the Member State and with the Commission. This state of affairs has resulted in solutions that in some cases are directly opposed to each other, and which in fact depend more on the administrators concerned than on clearly established procedures: some reject the expenditure incurred if there is the slightest doubt as to its eligibility; others keep all the expenditure, leaving it up to any subsequent checks to sort out the eligible items from the ineligible ones.

6.10. The beginning of a programme's period of eligibility means the date as of which the first payments can be made. However, if the initial date of commitment of the expenditure were to be established, this would make it possible to ascertain that the co-financing related to new projects and not to projects that were already under way or even completed. For the commitments, only a final date has been fixed, thus making it easier to carry out expenditure, in haste, at the end of the period. The financial implementation provisions ought to be closer to the Member States' procedures and should not deviate from the aims of a programme-based approach.

6.11. The impact that the co-financing of structural operations has on the capacity to utilise Community appropriations differs according to whether existing or new operations are involved. When the SFs co-finance existing operations, progress is rapid; it may even happen that the SFs reimburse expenditure that has already been incurred. However, when the SFs co-finance new operations, progress is much slower, because of the need to start up all the implementation procedures.

6.12. The difficulties in coordinating a large number of both Community and national administrators have led to delays in implementation, especially in the case of multi-fund programmes. The integrated approach which, as far as structural aid is concerned, should be playing a larger role, is based on the idea that the impact of the various measures will be greater if their effect is combined than if they are implemented separately. However, in many cases the multi-fund programmes are no more than a juxtaposition of single-fund sub-programmes which are managed independently of each other and are even governed by implementing provisions that differ depending on the Fund. This also applies to numerous CI programmes where several Funds are involved but each contributes very small amounts. These situations slow down the procedures without offering any real added value. Some Member States, having discovered the shortcomings of the multi-fund approach during the preceding period, have cut down on the number of programmes of this type that they present.

⁽¹⁴⁾ The concept of commitment was once again spelled out in eligibility sheet No 3 in April 1997. The 'compulsory legal provisions' and the 'commitments of the necessary financial means' were defined as the decisions taken by the final beneficiaries to implement the eligible operations and the allocation of the corresponding public funds (OJ L 146, 5.6.1997, p. 1).

6.13. The Monitoring Committees ought to constitute a fundamental instrument in the partnership by ascertaining that the aid measures are being implemented efficiently. The Court has already pointed out the need to improve the effectiveness of the Monitoring Committees⁽¹⁵⁾. They fail to operate properly because they were set up late, they do not hold enough meetings, their procedures for adopting decisions are lengthy and they are not organised in a suitable manner (too little time for studying the documentation or for allowing a large number of participants to be involved). Furthermore, the Monitoring Committees' decisions usually consist only of proposals submitted to the national authorities and to the Commission requiring explicit confirmation, which once again sets lengthy procedures in motion.

Programming

6.14. The procedures for adopting the documents that form part of the programming are slow, both at Community level (where most of the DGs are involved) and at national level (where there needs to be close consultation between the various partners). The time needed may depend on the institutional and administrative structures of the Member States, and on the effectiveness of the partnership.

6.15. The delays in Italy may be explained by the difficulties in adapting the national and regional management structures, which were more suited to management by project than by programme, to bring them into line with the reform of the SFs. These structures and their powers have undergone considerable changes, which has not made it any easier to set up an effective partnership, capable of rapidly overcoming the difficulties that have arisen during the various programming phases. The Community procedures have been designed for the management of programmes and they are not geared to finding speedy solutions to problems that arise for individual projects.

6.16. The weakness of some programmes submitted to the Commission and the efforts made by the latter to improve their quality have resulted in delays in their adoption. However, in many cases, these delays are disproportionate to the improvements that have to be made. They stem more from the Commission's difficulties in managing the plethora of forms of intervention that have been proposed, in coordinating its departments and in building up an effective partnership culture with the Member States. In some cases, it took several months or

even years for the detailed rules for implementing the individual projects to be laid down, following exchanges of correspondence and discussions which did not make much headway. As regards Italy, for example, at 31 December 1994, only 5 130,3 Mio ECU of aid had been approved out of a planned total of 14 860 Mio ECU, and programmes presented in 1994 were not adopted until 1997.

6.17. The global subsidy for Andalusia, presented in April 1994, was approved in September 1995 and the related agreement was signed in January 1996. Also, the suspensive clause relating to the 'risk capital' measures which was included in the decision was not rescinded until November 1997.

6.18. Often, suspensive clauses could have been avoided or rescinded earlier if there had been better coordination within the Commission and between the Commission and the Member States. There have also been cases where suspensive clauses have been introduced following purely formal difficulties, such as the lack of precise identification of an aid scheme that had in fact already been approved by the Commission. Files relating to these clauses have been shelved for a very long time (sometimes for years) without any significant headway being made, especially in the case of the most innovative measures. Frequently, the delays in overcoming these problems, especially within the framework of the aid measures for the O2 for 1994-1996, have led to the operations concerned being replaced by more traditional measures.

6.19. The fact that the annual financial plans drawn up in the SPDs/OPs are unrealistic has also contributed to the low rates of utilisation of appropriations. As a rule, these plans have been drawn up following the increase in the annual commitments provided for in the financial perspective without taking into account their feasibility on the ground. Right from the time the plans were drawn up, the administrators of the programmes were already aware that it would be impossible to abide by the annual allocation laid down in the financial plans. This state of affairs is corroborated by the amendments made to these plans and the scale of these amendments.

6.20. Furthermore, two aspects which had a considerable impact on the way in which the aid measures were implemented at the beginning of the period were neglected at the time of the programming. The first was the delay in adopting the aid measures. Admittedly, the eligibility of the expenditure began on 1 January 1994 for requests presented to the Commission before the end of April 1994, but the selection procedure for the individual operations was not able to get properly under way in most cases until the programmes were adopted. It was only in cases where advance financing of the aid measures was made possible

⁽¹⁵⁾ Most recently in the Annual Report concerning the financial year 1996, paragraphs 7.15-7.19 and 7.59.

that the operations were able to start up at the proper time. However, under the system of payment of Structural Fund advances and the programme concept, advance financing by the SFs is supposed to be the norm.

6.21. The second aspect was linked to the completion of the aid measures of the preceding periods and to the cases of overlapping in the commitment and payment periods at national level. Thus, during the first years of the new generation, expenditure that could have been eligible for both periods was allocated to that of 1989-1993 in order to finish up the still unused aid. This had the effect of reducing the potential expenditure for the 1994-1999 generation. This aspect had a great impact on the Member States and regions that had the largest backlogs in the closure of previous aid measures.

6.22. The procedures for amending the SPDs and the aid measures of the new generation aimed at simplification by increasing the powers of the Monitoring Committees. However, in practice, the procedure that was followed was the formal adoption of new decisions by the Commission, a cumbersome procedure requiring the organisation of inter-departmental consultations and involving the same difficulties as those connected with the adoption of the CSFs/SPDs/OPs. In some cases, because of the delays, the proposals for amendments were obsolete even before they were decided on.

Financial channels

6.23. The complexity of the financial channels at all levels (Community, national, banking), the periods of time needed for each authorising procedure and the large number of parties involved mean that it takes a very long time for Community funds to reach the final beneficiaries. Furthermore, because of this complexity, it is difficult to monitor what stage of their journey the funds have reached. The Court has on several occasions referred to the difficulties arising from the duration and the diversity of the financial channels ⁽¹⁶⁾.

6.24. As regards the funds reaching the beneficiaries, the coordination Regulation stipulates that the latter should receive the amounts of advances and payments in the shortest possible time which should not, as a rule, exceed three months from the date when the Member State received the appropriations, provided that the beneficiaries' claims satisfy the conditions stipulated for making the payment ⁽¹⁷⁾. As these conditions have not

been sufficiently defined, and bearing in mind the existing procedures, the periods of time taken to pass the funds on to the beneficiary are very variable. As a rule, payments to the beneficiaries are made by the national authorities as and when the Community payments are received, but the criteria and lengths of time taken for these payments depend on conditions over which the beneficiary has no control, such as the point in time when the expenditure threshold that triggers Community payment is crossed. In any case, the progress made by the measures concerned is not the main criterion. This being so, it becomes difficult to draw up estimates for the cash funds of the beneficiaries.

6.25. When there are delays in carrying out an aid measure, two things happen simultaneously. For measures that are proceeding normally, the beneficiaries find themselves penalised by the delays in the other measures and have to arrange advance financing for them if they want to continue with them. In the case of measures that are proceeding very slowly or not at all, the beneficiaries are paid advances which they do not necessarily yet need. As part of SEM 2000 ⁽¹⁸⁾ and in the proposal for a new Regulation on the Structural Funds, the Commission tackled the question of the use of the interest likely to be generated by the funds thus paid to the final beneficiaries. It considered the possibility of the interest thus earned by the advances being allocated to the aid measure concerned, in order to ensure that this interest be used in compliance with the objectives of the Community operation.

6.26. In the case of aid schemes where the body which grants the aid is regarded as the final beneficiary, the existing procedures, especially in some countries (such as Sweden or Finland), allow advances to be paid to the final beneficiaries only on certain conditions. As a result, Community advances remain with the administering body pending the completion of the work or the investments. In cases where the aid schemes represent a significant part of the aid measures, and bearing in mind that the annual financial plans drawn up are unrealistic, these aid measures may proceed in accordance with the administrators' estimates in terms of the decisions to grant aid to undertakings, but the utilisation of Community appropriations will remain low until the completion of the investments and the payment of the aid that has been granted.

6.27. An analysis of the situation at 31 December 1996 regarding the OP for Saxony-Anhalt shows that the public expenditure increased from around 10 % in 1994 to 82 % in 1996 in relation to the initial plans, a rise

⁽¹⁶⁾ For example, the Annual Report of the Court of Auditors concerning the financial year 1993, paragraph 6.5.

⁽¹⁷⁾ Article 21(5) of Regulation (EEC) No 4253/88.

⁽¹⁸⁾ See eligibility sheet No 8 (SEM 2000).

which represented about 47 % of the total for the years 1994-1996 and 21 % of the total for the programme⁽¹⁹⁾. However, if the decisions to grant aid are scrutinised, it transpires that the programme as a whole was already almost fully implemented (84 %). As a result, the delays in the implementation of the programme are not due to the lack of projects to finance, but rather to programming that did not take into account the time taken for the implementation of the projects and the characteristics of the type of operation being co-financed. It should be noted that a considerable increase in the rates of aid in 1995 made it possible to allocate the Funds more quickly.

6.28. The way in which Community and national payments are concentrated at the end of the year and the fact that decisions relating to aid measures, whether they are initial decisions or amending ones, are adopted at the end of the year have adverse consequences for the beneficiaries, who, being subject to annual budgets, can only watch whilst their estimates are undermined or are modified. If the funds arrive in the following financial year, lengthy budgetary procedures are often needed to integrate these funds into their budgets. In some Member States, these funds are not allowed to be entered in the budget and used unless their arrival can be guaranteed. In other cases, the appropriations that are not used at the year-end are not automatically carried over.

6.29. One of the weakest points in the management of the aid measures is the financial and physical monitoring of the operations that are being carried out. As there are many operations and the beneficiaries are scattered, effective procedures need to be set up making it possible to monitor the operations and their expenditure by beneficiary and by co-financed operation. These procedures should make it easier to draw up the declarations of expenditure, which must, moreover, be based on a suitable set of accounts⁽²⁰⁾. The Court has noted⁽²¹⁾, in particular in the context of the DAS, that these declarations of expenditure are not always reliable, bearing in mind the unsuitable nature of the procedures introduced for drawing them up and checking them⁽²²⁾.

⁽¹⁹⁾ See 'Interim evaluation of the measures taken under the EU Structural Funds in Saxony-Anhalt in the period from 1994 to 1996' — Ministry for Economic Affairs, Technology and European matters — Saxony-Anhalt.

⁽²⁰⁾ The financial implementation provisions applicable to the aid measures included in the CSFs, SPDs provide for systems of separate accounting to be used.

⁽²¹⁾ Annual Report of the European Court of Auditors concerning the financial year 1996, paragraph 6.25. DAS report of the European Court of Auditors concerning the financial years 1996, 1995 and 1994.

⁽²²⁾ The new Regulation (EC) No 2064/97 of 15 October 1997 aims to provide a better framework for the financial control carried out by the Member States on the operations co-financed by the Structural Funds (OJ L 290, 23.10.1997, p. 1).

6.30. Most of the Member States cite difficulties in gathering financial data from the beneficiaries as a major factor in the delays in using appropriations. These difficulties lead not only to errors in the expenditure declarations but also to delays in drawing them up and, consequently, in the funds being received. These same difficulties, coupled with the length of the channels along which the data have to be sent, prevent the setting-up of procedures allowing a declaration of expenditure to be drawn up as soon as the threshold for triggering the payments has been reached.

6.31. The national administrators are not always aware of the thresholds triggering the Community payments. Furthermore, additional delays occur once the data have been gathered because they have to be processed, certified and passed on. In Sardinia, payment claims were not submitted, even though the thresholds triggering payments had been considerably exceeded. The expenditure incurred by 31 March 1997 had reached a level that would have allowed payment of the 1994 balance and of the first two advances for 1995, i.e. 68,8 Mio ECU, but it was not until October 1997 that an additional expenditure declaration was sent to the Commission.

6.32. The number of cases arising where disbursement of several payments is requested on the basis of a single expenditure declaration confirms the need to make more checks to ensure that the Member States submit their claims on the basis of a programme staggered throughout the year, as stipulated in Article 19.3 of the coordination Regulation. Furthermore, the time taken by the Commission for scrutinising the declarations and authorising payment should not exceed two months starting from the date on which a valid claim is received, but this time-limit is not always complied with, especially as regards payments of balances⁽²³⁾.

6.33. All the time taken to transmit and process the data delays the payment of Community appropriations. Their level of utilisation is not representative of the true state of progress of the aid measure, which is only partly known when the annual reports are being drawn up or when meetings of the Monitoring Committees are held.

Mobilisation of resources

6.34. Difficulties arise in using the national, regional and private counterpart funds in accordance with the planned timetable, especially when the *ex ante* assessments are weak or in cases where there are no prior feasibility studies taking into account the procedural time

⁽²³⁾ See Special Report on the closure of the ERDF forms of intervention.

needed. The optimistic nature of the financing plans for the operations becomes apparent when it comes to actually preparing the implementation of certain projects and when use of the counterpart funds gets under way.

6.35. The task of mobilising public resources takes time, and this is often underestimated. Thus, it is virtually inevitable that there will be delays or even log jams, especially in cases involving large-scale projects or innovative measures, which are usually complex. When the regional and local authorities that receive the aid do not have a large degree of financial independence, the delays in the payment of the national counterpart funds have a knock-on effect on the implementation of the operations, as the Court has already pointed out ⁽²⁴⁾.

6.36. The SPD for Corsica was based on major public infrastructure projects, in particular the main road from Ajaccio to Bastia, the treatment of waste water, refuse treatment and water-supply works. Sometimes major projects have not yet been the subject of an agreement in respect of their implementation (road project) or it has been very difficult to find counterpart funds (public building). This has led to delays in settling the financial plans or even to a project that was originally planned being abandoned.

6.37. Thus, for the projects relating to refuse treatment under this SPD, for want of sufficient public counterpart funds for financing two incinerators, the authorities tried to mobilise private counterpart funds through a 'public-service delegation' whereby the private sector carries out a project intended for the general public and runs it at a profit by means of an operating concession. However, because the negotiations with the Commission to re-define the concept of eligible expenditure took a long time (more than 15 months) and because of legal problems, all that was achieved was that implementation of these operations may still be envisaged within the framework of the SPD.

6.38. The mobilisation of private counterpart funds is difficult to control, because it depends on numerous factors. For this mobilisation to take place, the files have to be sufficiently well advanced and their feasibility properly established. Within the framework of the aid measures where there is considerable private involvement, the investments are affected by the economic situation and their progress is less easy to forecast. This is the case for the O2 programmes, which are aimed at regions suffering from industrial decline.

6.39. This is also the case for the OPs in the new German *Länder*, which are based on private investment. An analysis of the co-financed projects made during the evaluation process for the Saxony-Anhalt OP showed that 30 % of the projects were suffering from delays of about two years. The amount of the investments underwent considerable changes in 41 % of the projects (27 % to increase the investments and 14 % to reduce them). The scale of these modifications and delays also shows shortcomings in the *ex ante* evaluations of projects. Some of the chief reasons cited by the beneficiaries to explain the main delays in the investments or their reduction during implementation include not only the length of the procedures needed before the work can be started but also the economic situation of their sector, the overall trend in their business, financing and cash-flow problems and delays due to suppliers and service providers.

6.40. The budgetary restrictions relating in particular to the stabilising of public finances in the run-up to the creation of the economic and monetary union are not regarded by the authorities that replied to the questionnaire as one of the most important factors in the low rate of utilisation of appropriations. There was not found to be any connection between these restrictions and the level of use of Community appropriations, which has been on the increase since 1994. A study on this subject drawn up on behalf of the European Parliament concludes that this trend was not found to have any direct influence on the implementation of appropriations in the various cases examined by the authors ⁽²⁵⁾.

6.41. Several reasons may be cited to explain this situation. On the one hand, the authorities of the Member States have endeavoured not to curtail their budgetary contribution to the co-financed operations so as to avoid delaying the arrival of Community funds. On the other hand, the changes made to the programmes make it possible, by replacing measures, to select the projects for which national counterpart funds are available.

6.42. New projects which were still at the drawing-board stage were introduced into the OP for Sardinia. This policy, which is, moreover, the one most in keeping with the spirit of the regulations, should have been accompanied by financial plans that took account of the lengthiness of the procedures. The latter mean that in many cases the projects do not get off the ground until some years after they have been decided. It should be

⁽²⁴⁾ For example, see the Annual Report concerning the financial year 1996, paragraphs 7.52-7.57.

⁽²⁵⁾ Factors influencing the utilisation of Structural Fund appropriations. European Parliament. Directorate-General for Studies. June 1997.

borne in mind that it is not the lack of national public appropriations to assist regional development in Sardinia that is behind the difficulties in making use of the Community appropriations. The regional budget made provision for 1997 for a volume of expenditure potentially eligible for co-financing that was comparable to that of the public expenditure planned in the programme for the entire period 1994-1999.

6.43. The variations in the national currency/ecu exchange rate have adverse effects on the utilisation of Community appropriations. These effects stem from the fact that the measures are implemented in national currency and that the accounts for their aid measures and their financial plans are drawn up in ecu. In the event of a devaluation, there needs to be an increase in the expenditure in national currency in order to achieve the amounts provided for in ecu. If there is a revaluation, this leads to a relative decrease in the Community counterpart, which has to be covered by national expenditure.

6.44. In both cases, the programming is thus altered and, if there is no speedy reaction, the impact may be considerable, especially if the amendments to the exchange rate occur at the end of the period. In Italy, the failure to take effective action in response to this situation had adverse repercussions on the closure of the preceding period. In other Member States, provision was made for measures to alleviate the consequences of this situation, such as making the declaration of expenditure in ecu, making the declaration of expenditure in national currency at a faster rate or creating *stocks* of projects (overbooking).

Implementation

6.45. Despite the length of time that has elapsed since the 1988 reform of the SFs, the beneficiaries are still insufficiently familiar with Community rules and procedures. The difficulties experienced in Sardinia concerning key elements of the aid measure, such as the terms 'commitment', 'final beneficiary' and 'eligibility of expenditure', could have been curtailed if they had been clarified in the context of the partnership. The misunderstandings relating to determining eligible expenditure, which have led to the total cost being taken into account instead of the public expenditure, have had as a consequence a delay in the implementation of 38,3 Mio ECU of Community appropriations.

6.46. In several cases, the delays can be attributed to exceptional circumstances, such as the reorganisation of departments, political changes, natural catastrophes or changes in the administrative environment. Whilst some of these circumstances are by their very nature

unforeseeable, others ought to have been borne in mind when the programming was being carried out. By way of example, the new Member States had to introduce major changes to their procedures and departments in order to adapt themselves to the management mechanisms of the Community programmes, which gave rise to lengthy delays in relation to the programming, which was drawn up as though the administrators and procedures were operational from the very beginning of the period. In Greece, the implementation of the industry OP required 21 new legislative texts or regulations.

6.47. Where Article 24 of Regulation (EEC) No 4253/88 on the reduction, suspension and suppression of aid is applied, even though this does not happen frequently, this may have an effect, even indirectly, on the progress of the programmes. By way of example, one of the Spanish programmes (Cantabria) suffering from delays was affected by the reimbursement of amounts that were not used for implementing a major project during the period 1989-1991⁽²⁶⁾. Furthermore, delays in this programme also stemmed from the fact that the 1994 regional budget was not adopted until March 1995. In the end, the 1994 tranche had to be cancelled and the 1995 one considerably reduced. There are also — more frequent — cases where the Commission *de facto* suspends payments for several months or even several years, whilst waiting for its disagreements with the Member State concerned to be settled⁽²⁷⁾.

6.48. Several administrators have cited examples of delays connected with the lack of suitable coordination at the Commission. Where different departments each interpret matters differently, this has an adverse effect on the way the aid measures are managed, without the Member States always being aware of the reasons for these delays. One of the main difficulties encountered by the administrators of the multi-fund Hainaut SPD was due to three projects being charged to the ESF rather than to the ERDF, thus requiring the transfer of the funds relating thereto, and to the different financial management systems of the Funds (multiannual for the ERDF and the EAGGF, annual for the ESF). According to the administrators concerned, this situation has led to a delay of several months in the ESF payments.

6.49. The balance of each commitment is not paid until the annual implementation report has been drawn up and sent to the Commission and then approved by the latter. These stages continue to lead to delays. In some cases,

⁽²⁶⁾ See the Annual Report of the European Court of Auditors concerning the financial year 1994, paragraph 4.74.

⁽²⁷⁾ See the Annual Reports of the Court of Auditors concerning the financial years 1994 and 1995, paragraphs 5.42-5.44 and paragraphs 6.16-6.19.

the payment of the balance cannot be made because the corresponding authorities have failed to present the required annual report or because this report is not of a sufficiently high standard.

6.50. It often happens that where there are delays or failures concerning a measure or a project that accounts for a large portion of the OP in financial terms, the whole of the aid measure is put into jeopardy. The aid measure's financial progress is held up whilst waiting for the amendment procedures to be finalised. In Sardinia, in the case of two projects accounting for 28 % and 35 % of the total cost, implementation had not even started halfway through the period. The programme was not amended until December 1997, despite the fact that the various partners involved had pointed out the need to change it right from the beginning of its implementation.

6.51. The individual operations and projects often encounter difficulties which mean that they are late in getting off the ground in relation to the beneficiaries' forecasts. The latter tend to be over-optimistic, a tendency fuelled by the lack of any feasibility studies and the administrators' practice of accepting these forecasts without checking whether they are plausible. During the procedures concerning expropriation, the tendering of public contracts or the evaluation of the environmental impact, it is rare for delays not to occur.

6.52. From a detailed analysis of the OPs for Sardinia and Corsica it is apparent that the implementation delays stemmed from the periods of time that were inherent in the procedures or were needed to reach agreements between the various partners. In the case of the most important measure of the OP for Sardinia, the gasification plant, the technical difficulties experienced in carrying out the project and the problems in agreeing on the financial plan with the banking partners had not yet made it possible to finalise the drafting of the project. In the end, this measure was cancelled when the programme was amended in December 1997.

6.53. Furthermore, there are sometimes other circumstances that give rise to delays and cost increases: for example, unforeseen technical difficulties may occur, contractors may go bankrupt, additional work may have to be done, etc. These delays are exacerbated by the slowness of the procedures to amend the measures concerned, to take account of these circumstances or changes in priorities. The irregular expenditure found during the checks may also give rise to delays, in view of the fact that these items of expenditure have to be withdrawn from the expenditure declarations and replaced by those from alternative projects. This was the case in Saxony-Anhalt where a major investment project

involving some 12 Mio ECU had to be replaced following the Court's audit.

7. CONCLUSION

7.1. The way in which the budget estimates are drawn up needs to be improved in order to avoid cases of under-utilisation of appropriations and to cut back the volume of transfers.

7.2. The provisions governing the budgetary implementation of the structural operations, especially those relating to commitment by annual tranches, need to be reviewed so as to ensure consistency with the Financial Regulation and with all the budgetary provisions.

7.3. In revising the provisions governing the financial and budgetary implementation of the structural operations, the aim should be to make them simpler, more transparent and less cumbersome. The proposals relating to the new Structural Fund Regulations which the Commission presented on 18 March 1998 contain a simplification in this area, in particular by introducing new rules for commitments by tranche and for indexing.

7.4. To date, the financial programming of the CSFs and the forms of intervention of the structural operations has been done by reproducing the chart of annual expenditure set out in the financial perspective. It is very hard for this approach to take account of feasibility on the ground and it results in a muddled picture being given of the implementation of the aid measures. The financial plans are of little practical use and they are amended time and again and yet they still do not reflect the actual estimates for the implementation of the measures any better. The fact that the amounts recurring annually are concentrated in the latter years of the programming period could lead to difficulties in closing the aid measures for the period 1994-1999, thus reproducing the situation observed at the time of the closure of the aid measures for the preceding periods⁽²⁸⁾. For the forthcoming period 2000-2006, every effort should be made to ensure that there is genuinely meaningful programming based on a realistic timetable.

7.5. Improved information systems at the Commission and in the Member States would make it possible for all the partners to have a reliable, up-to-date picture at any time of the situation regarding the aid measures and the

⁽²⁸⁾ Special Reports on the closure of the ERDF aid measures and of O5b.

projects receiving Community co-financing ⁽²⁹⁾. One step in the right direction that has been considered in the recent proposals for a regulation for the SFs is to require implementation reports to be drawn up by calendar year instead of by tranche, but this would not suffice unless the data in these reports were better analysed and used. Making the SF financing more transparent should be a priority aim and, to this end, better use should be made of computer techniques.

7.6. In order to make the rules for paying funds to beneficiaries more transparent, the Commission should make plans together with the Member States for measures to improve the financial channels and to shorten the time taken for payments to be made at all levels, as already recommended by the Financial Controller in his report on this subject, drawn up in 1992 ⁽³⁰⁾. If more frequent use were made of the accounts opened on behalf of the Commission with the national treasuries for making available own resources ⁽³¹⁾, this would have the effect of cutting down the number of operations and intermediaries involved in the transfers between the Commission and the Member States.

7.7. It is clear from the causes of the delays found in the use of Community appropriations that there is still room for improvement in the SF management systems. Programming continues to be weak, as do the *ex ante* evaluation and the analysis of the feasibility of the aid measures and their operations and projects. Processing of the financial data at all levels of management still takes a long time. When measures are being planned, the time taken for implementing the various procedures needed is often underestimated. The Community management procedures are usually cumbersome and slow and they still dovetail poorly with the national procedures, especially at budgetary level. Bearing in mind the shortcomings that have been found, the partnership should be strengthened and the Monitoring Committees' role and the way they work should be reviewed.

7.8. Despite the shortcomings pointed out in this report, credit should be given to the Commission and to many national administrators for the efforts they have made. These efforts need to be stepped up, particularly in the context of the partnership, in order to improve the management of the structural operations.

This report was adopted by the Court of Auditors in Luxembourg at its meeting on 23 September 1998.

For the Court of Auditors

Bernard FRIEDMANN

President

⁽²⁹⁾ Aimed particularly at more precise and more easily accessible information on the projects that are financed (Annual Report of the Court of Auditors concerning the financial year 1997, Chapter 8 relating to the DAS, paragraph 8.66).

⁽³⁰⁾ SEC(92) 1912 final of 5.11.1992. Final report on the financial channels relating to the transfer of Structural Fund payments to the Member States.

⁽³¹⁾ Regulation (EEC, Euratom) No 1552/89, Art. 9.

Table 1

Annual distribution of the Structural Fund and FIFG resources available for commitment for the period 1994-1999

Allocation of the Structural Funds to the existing Members States (at 1992 prices and in Mio ECU)

	1994	1995	1996	1997	1998	1999	1994-1999
Objective 1	13 220	14 300	15 330	16 396	17 820	19 280	96 346
Objectives 2-5b	6 915	7 180	7 410	7 630	7 870	8 120	45 125
Total	20 135	21 480	22 740	24 026	25 690	27 400	141 471
Overall (in %)	14,23 %	15,18 %	16,07 %	16,98 %	18,16 %	19,37 %	100,00 %
Objective 1 (in %)	13,72 %	14,84 %	15,91 %	17,02 %	18,50 %	20,01 %	100,00 %
Objectives 2-5b (in %)	15,32 %	15,91 %	16,42 %	16,91 %	17,44 %	17,99 %	100,00 %

Source: Conclusions of the Presidency. Edinburgh European Council of 11-12 December 1992.

Allocation of the Structural Funds to the new Member States (at 1995 prices and in Mio ECU)

	1995	1996	1997	1998	1999	1995-1999
Objective 1	32	34	37	39	42	184
Objectives 2-5b	728	749	765	782	798	3 822
Objective 6	131	138	147	159	166	741
Total	891	921	949	980	1 006	4 747
Overall (in %)	18,77 %	19,40 %	19,99 %	20,64 %	21,19 %	100,00 %
Objective 1 (in %)	17,39 %	18,48 %	20,11 %	21,20 %	22,83 %	100,00 %
Objectives 2-5b (in %)	19,05 %	19,60 %	20,02 %	20,46 %	20,88 %	100,00 %
Objective 6 (in %)	17,68 %	18,62 %	19,84 %	21,46 %	22,40 %	100,00 %

Source: Council Decision of 1.1.1995 adapting the instruments relating to the accession of new Member States (OJ L 1, 1.1.1995, p. 1).

Table 2

Comparison between resources available under the CSFs, for the entire period 1994-1999, and the implementation by objective and by Member State (EUR 12)

(Mio ECU)

	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Netherlands	Portugal	U. Kingdom	Total
Objective 1 1994-1999	748,5		13 985,3	14 333,9	26 965,8	2 245,4	5 762,3	15 236,2		153,8	14 333,9	2 419,7	96 184,9
Objective 1 1994-1997	457,8		8 554,0	8 767,2	16 493,4	1 373,4	3 524,4	9 319,1		94,1	8 767,2	1 480,0	58 830,5
Commitments 1994-1997	349,7		8 447,3	8 530,0	17 634,6	967,9	3 612,6	8 608,2		57,7	9 870,6	1 490,9	59 569,5
Payments 1994-1997	267,6		6 754,6	6 129,8	13 553,2	821,3	3 192,3	5 072,9		51,1	7 952,4	1 117,2	44 912,5
Commitments 1994-1997/Estimates 1994-1999	46,7 %		60,4 %	59,5 %	65,4 %	43,1 %	62,7 %	56,5 %		37,5 %	68,9 %	61,6 %	61,9 %
Payments 1994-1997/Estimates 1994-1999	35,7 %		48,3 %	42,8 %	50,3 %	36,6 %	55,4 %	33,3 %		33,3 %	55,5 %	46,2 %	46,7 %
Commitments 1994-1997/Estimates 1994-1997	76,4 %		98,8 %	97,3 %	106,9 %	70,5 %	102,5 %	92,4 %		61,3 %	112,6 %	100,7 %	101,3 %
Payments 1994-1997/Estimates 1994-1997	58,4 %		79,0 %	69,9 %	82,2 %	59,8 %	90,6 %	54,4 %		54,4 %	90,7 %	75,5 %	76,3 %
Objective 2 1994-1999	349,4	123,0	1 604,8		2 474,8	3 866,4		1 498,2	15,4	666,2		4 693,4	15 291,6
Objective 2 1994-1997	222,2	78,0	1 019,2		1 571,5	2 454,9		951,3	9,7	420,2		2 979,7	9 706,7
Commitments 1994-1997	226,0	86,1	1 056,9		1 263,5	2 320,3		936,3	15,7	361,6		2 704,4	8 970,8
Payments 1994-1997	152,4	63,4	720,2		842,0	1 685,3		524,8	9,2	238,0		2 011,7	6 246,8
Commitments 1994-1997/Estimates 1994-1999	64,7 %	70,0 %	65,9 %		51,1 %	60,0 %		62,5 %	101,9 %	54,3 %		57,6 %	58,7 %
Payments 1994-1997/Estimates 1994-1999	43,6 %	51,6 %	44,9 %		34,0 %	43,6 %		35,0 %	59,8 %	35,7 %		42,9 %	40,9 %
Commitments 1994-1997/Estimates 1994-1997	101,7 %	110,4 %	103,7 %		80,4 %	94,5 %		98,4 %	160,6 %	86,1 %		90,8 %	92,4 %
Payments 1994-1997/Estimates 1994-1997	68,6 %	81,3 %	70,7 %		53,6 %	68,7 %		55,2 %	94,3 %	56,6 %		67,5 %	64,4 %
Objectives 3 and 4 1994-1999	476,5	308,4	1 990,0		1 888,6	3 282,2		1 757,4	23,6	1 105,7		3 460,5	14 292,9
Objectives 3 and 4 1994-1997	303,1	196,2	1 265,7		1 201,2	2 087,6		1 117,8	15,0	703,3		2 201,0	9 090,9
Commitments 1994-1997 Objectives 3 + 4	297,8	189,7	1 038,9		1 135,9	1 706,1		1 085,8	14,1	680,9		2 603,1	8 752,2
Payments 1994-1997 Objectives 3 + 4	235,7	170,5	874,1		882,1	1 361,8		498,8	13,3	583,1		1 688,8	6 308,2
Commitments 1994-1997/Estimates 1994-1999	62,5 %	61,5 %	52,2 %		60,1 %	52,0 %		61,8 %	59,7 %	61,6 %		75,2 %	61,2 %

(Mio ECU)

	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Netherlands	Portugal	U. Kingdom	Total
Payments 1994-1997/Estimates 1994-1999	49,5 %	55,3 %	43,9 %		46,7 %	41,5 %		28,4 %	56,3 %	52,7 %		48,8 %	44,1 %
Commitments 1994-1997/Estimates 1994-1997	98,3 %	96,7 %	82,1 %		94,6 %	81,7 %		97,1 %	93,9 %	96,8 %		118,3 %	96,3 %
Payments 1994-1997/Estimates 1994-1997	77,8 %	86,9 %	69,1 %		73,4 %	65,2 %		44,6 %	88,5 %	82,9 %		76,7 %	69,4 %
Objective 5a (agriculture sector) 1994-1999	174,0	130,0	1.093,3		333,7	1 783,2		696,1	39,9	120,8		369,6	4 740,6
Objective 5a (agriculture sector) 1994-1997	116,1	86,6	726,2		221,0	1 184,6		462,4	26,5	79,5		245,5	3 148,3
Commitments 1994-1997	105,4	77,8	683,9		165,2	1 123,6		372,1	16,5	39,3		126,6	2 710,4
Payments 1994-1997	80,0	61,8	533,2		142,6	817,1		239,5	15,2	21,0		97,2	2 007,6
Commitments 1994-1997/Estimates 1994-1999	60,6 %	59,8 %	62,6 %		49,5 %	63,0 %		53,5 %	41,4 %	32,6 %		34,2 %	57,2 %
Payments 1994-1997/Estimates 1994-1999	46,0 %	47,6 %	48,8 %		42,7 %	45,8 %		34,4 %	38,0 %	17,4 %		26,3 %	42,3 %
Commitments 1994-1997/Estimates 1994-1997	90,8 %	89,8 %	94,2 %		74,8 %	94,8 %		80,5 %	62,3 %	49,5 %		51,6 %	86,1 %
Payments 1994-1997/Estimates 1994-1997	68,9 %	71,4 %	73,4 %		64,5 %	69,0 %		51,8 %	57,3 %	26,4 %		39,6 %	63,8 %
Objective 5a (fisheries sector) 1994-1999	25,1	143,2	76,3		122,5	194,4		137,6	1,1	47,7		90,8	838,8
Objective 5a (fisheries sector) 1994-1997	16,6	95,1	50,5		81,1	128,9		91,3	0,9	31,6		60,1	556,1
Commitments 1994-1997	24,7	69,9	37,8		82,3	94,9		47,6	1,1	15,6		45,4	419,2
Payments 1994-1997	19,6	58,2	28,9		65,9	66,4		25,6	0,3	12,7		40,9	318,5
Commitments 1994-1997/Estimates 1994-1999	98,6 %	48,8 %	49,5 %		67,2 %	48,8 %		34,6 %	98,0 %	32,6 %		50,0 %	50,0 %
Payments 1994-1997/Estimates 1994-1999	78,2 %	40,7 %	37,8 %		53,8 %	34,2 %		18,6 %	29,4 %	26,5 %		45,0 %	38,0 %
Commitments 1994-1997/Estimates 1994-1997	149,0 %	73,5 %	74,7 %		101,5 %	73,6 %		52,2 %	120,1 %	49,3 %		75,5 %	75,4 %
Payments 1994-1997/Estimates 1994-1997	118,3 %	61,2 %	57,1 %		81,2 %	51,5 %		28,0 %	36,0 %	40,1 %		68,0 %	57,3 %

(Mio ECU)

	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Netherlands	Portugal	U. Kingdom	Total
Objective 5b 1994-1999	78,9	55,3	1 257,3		680,4	2 293,3		923,3	6,1	153,7		837,2	6 285,7
Objective 5b 1994-1997	51,2	35,9	816,0		441,6	1 488,3		599,2	4,0	99,8		543,3	4 079,1
Commitments 1994-1997	24,9	24,2	719,3		425,7	1 170,2		278,8	2,6	62,3		358,0	3 065,9
Payments 1994-1997	14,8	20,5	531,1		331,2	870,2		136,4	2,0	44,5		250,9	2 201,6
Commitments 1994-1997/Estimates 1994-1999	31,6 %	43,7 %	57,2 %		62,6 %	51,0 %		30,2 %	42,8 %	40,5 %		42,8 %	48,8 %
Payments 1994-1997/Estimates 1994-1999	18,7 %	37,1 %	42,2 %		48,7 %	37,9 %		14,8 %	32,6 %	29,0 %		30,0 %	35,0 %
Commitments 1994-1997/Estimates 1994-1997	48,6 %	67,4 %	88,1 %		96,4 %	78,6 %		46,5 %	65,9 %	62,4 %		65,9 %	75,2 %
Payments 1994-1997/Estimates 1994-1997	28,8 %	57,1 %	65,1 %		75,0 %	58,5 %		22,8 %	50,3 %	44,6 %		46,2 %	54,0 %
Total Estimates 1994-1999	1 852,4	759,9	20 007,0	14 333,9	32 465,8	13 664,9	5 762,3	20 248,8	86,1	2 247,9	14 333,9	11 871,2	137 634,5
Total Estimates 1994-1997	1 167,0	491,8	12 431,6	8 767,2	20 009,8	8 717,7	3 524,4	12 541,1	56,1	1 428,5	8 767,2	7 509,6	85 411,6
Commitments 1994-1997	1 028,6	447,6	11 983,9	8 530,0	20 707,2	7 383,0	3 612,6	11 328,9	50,0	1 217,4	9 870,6	7 328,4	83 488,2
Payments 1994-1997	770,0	374,5	9 442,1	6 129,8	15 816,9	5 622,2	3 192,3	6 497,9	40,0	950,4	7 952,4	5 206,7	61 995,3
Commitments 1994-1997/Estimates 1994-1999	55,5 %	58,9 %	59,9 %	59,5 %	63,8 %	54,0 %	62,7 %	55,9 %	58,1 %	54,2 %	68,9 %	61,7 %	60,7 %
Payments 1994-1997/Estimates 1994-1999	41,6 %	49,3 %	47,2 %	42,8 %	48,7 %	41,1 %	55,4 %	32,1 %	46,4 %	42,3 %	55,5 %	43,9 %	45,0 %
Commitments 1994-1997/Estimates 1994-1997	88,1 %	91,0 %	96,4 %	97,3 %	103,5 %	84,7 %	102,5 %	90,3 %	89,1 %	85,2 %	112,6 %	97,6 %	97,7 %
Payments 1994-1997/Estimates 1994-1997	66,0 %	76,1 %	76,0 %	69,9 %	79,0 %	64,5 %	90,6 %	51,8 %	71,3 %	66,5 %	90,7 %	69,3 %	72,6 %

Source: Drawn up by the European Court of Auditors on the basis of SINCOM.

Table 3

Comparison between the resources available under the CSFs, for the entire period, and the implementation by objective and by Member State (EUR 3)

(Mio ECU)

	Austria	Finland	Sweden	Total
Objective 1 1995-99	171,5			171,5
Objective 1 1995-97	93,9			93,9
Commitments 1995-97	83,76			83,76
Payments 1995-97	55,74			55,74
Commitments 1995-97/Estimates 1995-99	48,9 %			48,9 %
Payments 1995-97/Estimates 1995-99	32,5 %			32,5 %
Commitments 1995-97/Estimates 1995-97	89,2 %			89,2 %
Payments 1995-97/Estimates 1995-97	59,4 %			59,4 %
<hr/>				
Objective 2 1995-99	104,4	165,4	189,3	459,1
Objective 2 1995-97	60,9	96,2	109,3	266,4
Commitments 1995-97	77,2	109,3	105,8	292,2
Payments 1995-97	57,2	73,3	63,6	194,0
Commitments 1995-97/Estimates 1995-99	73,9 %	66,1 %	55,9 %	63,6 %
Payments 1995-97/Estimates 1995-99	54,8 %	44,3 %	33,6 %	42,3 %
Commitments 1995-97/Estimates 1995-97	126,6 %	113,6 %	96,8 %	109,7 %
Payments 1995-97/Estimates 1995-97	93,9 %	76,2 %	58,2 %	72,8 %
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Objectives 3 and 4 1995-99	408,3	354,1	537,6	1 300,0
Objectives 3 and 4 1995-97	238,8	218,1	312,6	769,4
Commitments 1995-97 Objectives 3 + 4	298,0	212,7	203,1	713,8
Payments 1995-97 Objectives 3 + 4	219,0	132,3	123,8	475,1
Commitments 1995-97/Estimates 1995-99	73,0 %	60,1 %	37,8 %	54,9 %
Payments 1995-97/Estimates 1995-99	53,6 %	37,4 %	23,0 %	36,5 %
Commitments 1995-97/Estimates 1995-97	124,8 %	97,6 %	65,0 %	92,8 %
Payments 1995-97/Estimates 1995-97	91,7 %	60,7 %	39,6 %	61,8 %
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Objective 5a (agricultural sector) 1995-99	399,0	342,3	173,7	915,0
Objective 5a (agricultural sector) 1995-97	232,8	198,3	101	532,1
Commitments 1995-97	207,5	181,9	54,0	443,5
Payments 1995-97	189,1	166,7	48,7	404,5
Commitments 1995-97/Estimates 1995-99	52,0 %	53,1 %	31,1 %	48,5 %
Payments 1995-97/Estimates 1995-99	47,4 %	48,7 %	28,1 %	44,2 %
Commitments 1995-97/Estimates 1995-97	89,1 %	91,7 %	53,5 %	83,3 %
Payments 1995-97/Estimates 1995-97	81,2 %	84,0 %	48,2 %	76,0 %

(Mio ECU)

	Austria	Finland	Sweden	Total
Objective 5a (fisheries sector) 1995-99	2,1	23,8	41,4	67,2
Objective 5a (fisheries sector) 1995-97	1,2	13,6	24,0	38,9
Commitments 1995-97	2,0	23,0	40,2	65,2
Payments 1995-97	1,0	18,4	32,0	51,4
Commitments 1995-97/Estimates 1995-99	96,8 %	96,7 %	97,2 %	97,0 %
Payments 1995-97/Estimates 1995-99	48,4 %	77,3 %	77,4 %	76,5 %
Commitments 1995-97/Estimates 1995-97	162,7 %	168,9 %	167,2 %	167,7 %
Payments 1995-97/Estimates 1995-97	81,3 %	135,1 %	133,1 %	132,2 %
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Objective 5b 1995-99	424,9	201	142,7	768,5
Objective 5b 1995-97	247,9	104,5	83,0	435,4
Commitments 1995-97	179,6	85,9	69,5	335,1
Payments 1995-97	137,2	54,3	40,0	231,5
Commitments 1995-97/Estimates 1995-99	42,3 %	42,8 %	48,7 %	43,6 %
Payments 1995-97/Estimates 1995-99	32,3 %	27,0 %	28,0 %	30,1 %
Commitments 1995-97/Estimates 1995-97	72,5 %	82,3 %	83,8 %	77,0 %
Payments 1995-97/Estimates 1995-97	55,3 %	52,0 %	48,2 %	53,2 %
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Objective 6 1995-99		475,9	260,7	736,6
Objective 6 1995-97		263,9	146,0	410,0
Commitments 1995-97		272,3	80,1	352,4
Payments 1995-97		163,7	60,0	223,8
Commitments 1995-97/Estimates 1995-99		57,2 %	30,7 %	47,8 %
Payments 1995-97/Estimates 1995-99		34,4 %	23,0 %	30,4 %
Commitments 1995-97/Estimates 1995-97		103,2 %	54,8 %	86,0 %
Payments 1995-97/Estimates 1995-97		62,0 %	41,1 %	54,6 %
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Total Estimates 1995-99	1 510,2	1 562,5	1 345,4	4 417,9
Total Estimates 1995-97	875,5	894,6	775,9	2 546,1
Commitments 1995-97	848,1	885,1	552,7	2 285,9
Payments 1995-97	659,2	608,6	368,1	1 636,0
Commitments 1995-97/Estimates 1995-99	56,2 %	56,6 %	41,1 %	51,7 %
Payments 1995-97/Estimates 1995-99	43,7 %	39,0 %	27,4 %	37,0 %
Commitments 1995-97/Estimates 1995-97	96,9 %	98,9 %	71,2 %	89,8 %
Payments 1995-97/Estimates 1995-97	75,3 %	68,0 %	47,4 %	64,3 %

Source: Drawn up by the European Court of Auditors on the basis of SINCOM.

Table 4

Comparison between the resources available under the Community initiatives, for the entire period 1994-1999, and the budgetary implementation by initiative and by year

(Mio ECU)

		Year of the commitment							Grand Total
		1994	1995	1996	1997	1994-1997	1998	1999	
Interreg II	Estimates	438,9	508,0	523,0	551,8	2 021,6	747,4	793,3	3 562,3
	Commitments 1994-1997	0,0	557,9	752,0	458,6	1 768,5			1 768,5
	Payments 1994-1997	0,0	227,7	423,5	357,6	1 008,8			1 008,8
	Commitments/Estimates	0,0 %	58,9 %	89,1 %	87,5 %	87,5 %			49,6 %
	Payments/Estimates	0,0 %	24,1 %	44,3 %	49,9 %	49,9 %			28,3 %
Leader II	Estimates	217,0	244,9	257,9	273,9	993,8	379,2	404,2	1 777,2
	Commitments 1994-1997	0,3	468,5	251,7	157,8	878,3			878,3
	Payments 1994-1997	0,0	132,7	133,6	104,1	370,4			370,4
	Commitments/Estimates	0,1 %	101,5 %	100,1 %	88,4 %	88,4 %			49,4 %
	Payments/Estimates	0,0 %	28,7 %	37,0 %	37,3 %	37,3 %			20,8 %
ADAPT	Estimates	207,9	231,7	244,9	260,9	945,3	339,8	361,4	1 646,4
	Commitments 1994-1997	0,0	307,7	222,4	125,4	655,5			655,5
	Payments 1994-1997	0,0	152,6	87,0	147,9	387,5			387,5
	Commitments/Estimates	0,0 %	70,0 %	77,5 %	69,3 %	69,3 %			39,8 %
	Payments/Estimates	0,0 %	34,7 %	35,0 %	41,0 %	41,0 %			23,5 %
SME	Estimates	147,0	158,8	176,9	190,0	672,7	203,5	216,2	1 092,5
	Commitments 1994-1997	0,0	203,5	181,9	133,3	518,8			518,8
	Payments 1994-1997	0,0	67,7	88,7	123,6	280,1			280,1
	Commitments/Estimates	0,0 %	66,6 %	79,9 %	77,1 %	77,1 %			47,5 %
	Payments/Estimates	0,0 %	22,1 %	32,4 %	41,6 %	41,6 %			25,6 %
URBAN	Estimates	107,1	121,7	124,2	129,5	482,6	199,5	212,5	894,5
	Commitments 1994-1997	0,0	157,4	215,0	118,1	490,5			490,5
	Payments 1994-1997	0,0	58,1	108,1	75,6	241,9			241,9
	Commitments/Estimates	0,0 %	68,8 %	105,5 %	101,6 %	101,6 %			54,8 %
	Payments/Estimates	0,0 %	25,4 %	47,1 %	50,1 %	50,1 %			27,0 %
PESCA	Estimates	38,1	42,1	44,6	47,4	172,2	62,7	66,6	301,5
	Commitments 1994-1997	23,7	29,4	134,6	21,5	209,1			209,1
	Payments 1994-1997	11,8	5,3	20,6	33,8	71,6			71,6
	Commitments/Estimates	62,2 %	66,2 %	150,4 %	121,4 %	121,4 %			69,4 %
	Payments/Estimates	31,1 %	21,4 %	30,3 %	41,6 %	41,6 %			23,7 %
Rechar II	Estimates	95,1	102,7	108,6	116,7	423,1	20,3	21,6	465,0
	Commitments 1994-1997	0,0	172,5	119,9	113,3	405,8			405,8
	Payments 1994-1997	0,0	75,6	61,6	75,4	212,7			212,7
	Commitments/Estimates	0,0 %	87,2 %	95,5 %	95,9 %	95,9 %			87,3 %
	Payments/Estimates	0,0 %	38,2 %	44,8 %	50,3 %	50,3 %			45,7 %

(Mio ECU)

		Year of the commitment							Grand Total
		1994	1995	1996	1997	1994-1997	1998	1999	
Resider II	Estimates	120,9	131,5	139,1	179,6	571,0	19,3	20,5	610,9
	Commitments 1994-1997	4,3	172,8	134,4	105,1	416,6			416,6
	Payments 1994-1997	1,3	77,0	79,6	62,1	220,0			220,0
	Commitments/Estimates	3,5 %	70,2 %	79,6 %	73,0 %	73,0 %			68,2 %
	Payments/Estimates	1,1 %	31,0 %	40,3 %	38,5 %	38,5 %			36,0 %
RETEX	Estimates	122,7	134,5	139,9	148,2	545,4	30,9	32,9	609,2
	Commitments 1994-1997	0,3	164,8	154,4	85,8	405,3			405,3
	Payments 1994-1997	0,1	75,4	67,8	56,8	200,1			200,1
	Commitments/Estimates	0,2 %	64,2 %	80,5 %	74,3 %	74,3 %			66,5 %
	Payments/Estimates	0,1 %	29,4 %	36,1 %	36,7 %	36,7 %			32,8 %
Emploi	Estimates	220,7	256,9	262,5	277,6	1 017,7	407,6	433,1	1 858,5
	Commitments 1994-1997	201,2	107,7	263,1	294,8	866,8			866,8
	Payments 1994-1997	100,6	53,6	170,3	246,6	571,2			571,2
	Commitments/Estimates	91,2 %	64,7 %	77,3 %	85,2 %	85,2 %			46,6 %
	Payments/Estimates	45,6 %	32,3 %	43,9 %	56,1 %	56,1 %			30,7 %
Konver	Estimates	125,5	135,5	138,8	147,2	547,0	91,0	96,8	734,9
	Commitments 1994-1997	0,0	238,2	133,0	191,4	562,7			562,7
	Payments 1994-1997	0,0	87,3	95,1	68,7	251,1			251,1
	Commitments/Estimates	0,0 %	91,3 %	92,9 %	102,9 %	102,9 %			76,6 %
	Payments/Estimates	0,0 %	33,5 %	45,6 %	45,9 %	45,9 %			34,2 %
REGIS II	Estimates	85,9	92,7	99,1	105,3	383,0	112,4	119,6	615,0
	Commitments 1994-1997	0,0	58,8	158,0	90,6	307,4			307,4
	Payments 1994-1997	0,0	22,0	135,6	55,8	213,4			213,4
	Commitments/Estimates	0,0 %	32,9 %	78,1 %	80,3 %	80,3 %			50,0 %
	Payments/Estimates	0,0 %	12,3 %	56,7 %	55,7 %	55,7 %			34,7 %
PEACE	Estimates	0,0	66,0	118,0	119,0	303,1			303,1
	Commitments 1994-1997	0,0	27,4	95,6	53,3	176,3			176,3
	Payments 1994-1997	0,0	13,7	41,7	81,2	136,5			136,5
	Commitments/Estimates		41,5 %	66,8 %	58,1 %	58,1 %			58,1 %
	Payments/Estimates		20,7 %	30,1 %	45,0 %	45,0 %			45,0 %
Total	Estimates	1 926,8	2 227,0	2 377,5	2 547,2	9 078,6	2 613,6	2 778,8	14 471,1
	Commitments 1994-1997	229,7	2 666,7	2 816,0	1 949,1	7 661,5			7 661,5
	Payments 1994-1997	113,9	1 048,9	1 513,2	1 489,3	4 165,3			4 165,3
	Commitments/Estimates	11,9 %	69,7 %	87,5 %	84,4 %	84,4 %			52,9 %
	Payments/Estimates	5,9 %	28,0 %	41,0 %	45,9 %	45,9 %			28,8 %

Source: Drawn up by the European Court of Auditors on the basis of SINCOM.

Table 5

Budgetary implementations of the structural measures during the financial years 1994-1997 ⁽¹⁾

(Mio ECU)

	Final budget after SAB and transfers	Implemen- tation	Implemen- tation rate of final budget (%)	Appropriations cancelled at year-end	
				Amount	% (d)/(a)
				(a)	(b)
1994 COMMITMENTS					
EAGGF-Guidance	3 301,5	3 300,4	99,97	1,1	0,03
FIFG (fisheries)	379,9	379,8	99,97	0,1	0,03
ERDF	9 769,4	9 727,7	99,57	41,7	0,43
ESF	5 841,2	5 564,3	95,26	272,3	4,66
Community initiatives	1 949,1	251,9	12,92	1 383,7	70,99
Transitional measures, etc.	305,9	244,4	79,90	40,5	13,24
Regulation (EEC) No 3575/90					
<i>Sub-total 'Structural Funds'</i>	21 547,0	19 468,5	90,35	1 739,4	8,07
Cohesion Fund	1 853,1	1 853,1	100,00	0,1	0,00
Total structural measures	23 400,1	21 321,6	91,12	1 739,5	7,43
1995 COMMITMENTS					
EAGGF-Guidance	3 374,1	3 348,3	99,24	25,8	0,76
FIFG (fisheries)	451,3	451,2	99,99	0,0	0,01
ERDF	10 684,4	10 566,1	98,89	118,3	1,11
ESF	6 710,7	5 125,3	76,37	1 581,1	23,56
Community initiatives	2 915,8	2 666,7	91,46	228,7	7,84
Transitional measures, etc.	271,8	111,9	41,17	114,0	41,95
Regulation (EEC) No 3575/90					
<i>Sub-total 'Structural Funds'</i>	24 408,1	22 269,5	91,24	2 068,0	8,47
Cohesion Fund	2 152,0	2 152,0	100,00	0,0	0,00
EEA mechanism	89,8	89,8	100,00	0,0	0,00
Total structural measures	26 649,9	24 511,3	91,97	2 068,0	7,76
1996 COMMITMENTS					
EAGGF-Guidance	3 772,0	3 772,0	100,00	0,0	0,00
FIFG (fisheries)	450,4	337,2	74,87	113,2	25,13
ERDF	11 883,7	11 862,5	99,82	21,2	0,18
ESF	7 150,1	7 150,1	100,00	0,0	0,00
Community initiatives	2 988,5	2 819,4	94,34	169,2	5,66
Transitional measures, etc.	342,0	199,4	58,30	142,6	41,70
Regulation (EEC) No 3575/90					
<i>Sub-total 'Structural Funds'</i>	26 587,4	26 141,2	98,32	441,5	1,66
Cohesion Fund	2 444,0	2 443,9	100,00	0,1	0,00
EEA mechanism	108,0	87,1	80,63	20,9	19,37
Total structural measures	29 139,4	28 672,2	98,40	462,5	1,59
1997 COMMITMENTS					
EAGGF-Guidance	4 026,1	4 026,1	100,00	0,0	0,00
FIFG (fisheries)	490,7	369,0	75,20	121,7	24,80
ERDF	12 989,7	12 983,1	99,95	6,6	0,05
ESF	7 639,1	7 639,1	100,00	0,0	0,00
Community initiatives	3 173,4	1 949,1	61,42	1 224,3	38,58
Transitional measures, etc.	305,7	263,9	86,33	41,3	13,51
Regulation (EEC) No 3575/90					
<i>Sub-total 'Structural Funds'</i>	28 624,7	27 230,3	95,13	1 393,9	4,87
Cohesion Fund	2 749,0	2 748,9	100,00	0,1	0,00
EEA mechanism	108,0	102,5	94,92	5,5	5,08
Total structural measures	31 481,7	30 081,7	95,55	1 399,5	4,45

⁽¹⁾ In its Annual Reports the Court presents more detailed tables showing the budgetary implementation of structural measures.

(Mio ECU)

	Final budget after SAB and transfers	Implemen- tation	Implemen- tation rate of final budget (%)	Appropriations cancelled at year-end	
				Amount	% (d)/(a)
				(a)	(b)
1994 PAYMENTS					
EAGGF-Guidance	2 778,9	2 498,9	89,92	223,1	8,03
FIFG (fisheries)	537,0	395,0	73,56	142,0	26,44
ERDF	8 087,4	6 410,8	79,27	1 676,6	20,73
ESF	5 454,1	4 144,8	75,99	1 099,7	20,16
Community initiatives	2 059,4	849,2	41,24	1 025,9	49,82
Transitional measures, etc.	487,0	319,7	65,65	157,3	32,30
Regulation (EEC) No 3575/90	416,0	176,8	42,50	126,1	30,31
Others	174,1	55,7	32,00	51,9	29,83
<i>Sub-total 'Structural Funds'</i>	19 993,9	14 850,9	74,28	4 502,6	22,52
Cohesion Fund	1 743,4	916,0	52,54	827,4	47,46
Total structural measures	21 737,3	15 767,0	72,53	5 330,0	24,52
1995 PAYMENTS					
EAGGF-Guidance	2 935,2	2 530,6	86,21	404,6	13,79
FIFG (fisheries)	518,1	248,1	47,87	270,1	52,13
ERDF	9 627,2	8 373,6	86,98	1 253,6	13,02
ESF	5 851,6	4 734,1	80,90	1 113,1	19,02
Community initiatives	2 291,5	1 337,8	58,38	953,7	41,62
Transitional measures, etc.	386,7	193,8	50,14	192,8	49,86
Regulation (EEC) No 3575/90	165,1	36,3	21,99	128,8	78,01
Others	106,5	48,5	45,55	58,0	54,45
<i>Sub-total 'Structural Funds'</i>	21 881,9	17 502,8	79,99	4 374,7	19,99
Cohesion Fund	1 750,0	1 699,3	97,11	50,7	2,89
EEA mechanism	89,8	89,8	100,00	0,0	0,00
Total structural measures	23 721,7	19 292,0	81,33	4425,4	18,66
1996 PAYMENTS					
EAGGF-Guidance	3 859,4	3 360,3	87,07	499,1	12,93
FIFG (fisheries)	545,1	421,6	77,34	123,5	22,66
ERDF	10 663,1	10 610,3	99,50	52,8	0,50
ESF	6 035,9	6 035,9	100,00	0,0	0,00
Community initiatives	2 115,2	1 691,4	79,96	423,8	20,04
Transitional measures, etc.	314,7	188,5	59,90	126,2	40,10
Regulation (EEC) No 3575/90	148,7	119,5	80,36	0,0	0,00
Others	49,2	40,0	81,39	2,0	4,03
<i>Sub-total 'Structural Funds'</i>	23 731,3	22 467,5	94,67	1 227,4	5,17
Cohesion Fund	1 919,3	1 872,2	97,55	47,1	2,45
EEA mechanism	108,0	87,1	80,63	20,9	19,37
Total structural measures	25 758,6	24 426,8	94,83	1 295,5	5,03
1997 PAYMENTS					
EAGGF-Guidance	3 580,0	3 580,0	100,00	0,0	0,00
FIFG (fisheries)	486,9	486,9	100,00	0,0	0,00
ERDF	11 522,6	11 521,4	99,99	1,2	0,01
ESF	6 143,4	6 143,4	100,00	0,0	0,00
Community initiatives	1 858,6	1 677,3	90,25	181,3	9,75
Transitional measures, etc.	267,3	171,4	64,12	95,9	35,88
Regulation (EEC) No 3575/90	87,3	41,2	47,19	46,1	52,81
Others	49,9	10,9	21,91	38,9	78,09
<i>Sub-total 'Structural Funds'</i>	23 996,0	23 632,5	98,49	363,4	1,51
Cohesion Fund	2 326,0	2 323,0	99,87	3,0	0,13
EEA mechanism	102,5	102,5	100,00	0,0	0,00
Total structural measures	26 424,5	26 058,0	98,61	366,4	1,39

Table 6

Financial perspective — Heading 2

(1 000 ECU)

Structural Funds	1994	1995	1996	1997
1. Budgetary allocation for the year	21 323 000	24 069 000	26 579 000	28 620 000
2. Implementation	19 245 723	21 937 911	26 078 201	27 226 145
3. Unimplemented appropriations (1-2)	2 077 277	2 131 089	500 799	1 393 855
4. Appropriations carried forward to n+1	339 147	70 629	4 648	
5. Cancelled appropriations (3-4)	1 738 130	2 060 460	496 151	1 393 855
6. Appropriations carried over from n-1 to n		339 147	70 629	4 648
7. Implementation of the appropriations carried forward		331 601	63 038	4 648
8. Unimplemented carried-over appropriations		7 546	7 591	0
9. Decom., net of amounts made available again		5 445	41 606	38 970
10. Total not used (5+8+9)	1 738 130	2 073 451	545 348	1 432 825

Cohesion fund	1993	1994	1995	1996	1997
1. Budgetary allocation for the year	1 565 000	1 853 000	2 152 000	2 444 000	2 749 000
2. Implementation	1 564 645	1 852 963	2 151 972	2 443 933	2 748 925
3. Unimplemented appropriations (1-2)	355	37	28	67	75
4. Appropriations carried forward to n+1	136	0	0	0	0
5. Cancelled appropriations (3-4)	219	37	28	67	75
6. Appropriations carried over from n-1 to n		136	0	0	0
7. Implementation of the appropriations carried forward		121	0	0	0
8. Unimplemented carried-over appropriations		16	0	0	0
9. Decom., net of amounts made available again		5	10 489	16 718	100 589
10. Total not used (5+8+9)	219	58	10 517	16 785	100 664

EEA financial mechanism	1995	1996	1997
1. Budgetary allocation for the year	108 000	108 000	108 000
2. Implementation	90 000	87 000	102 500
3. Total not used	18 000	21 000	5 500

Structural measures	1994	1995	1996	1997	1998	1999
Financial perspective	23 176 000	26 329 000	29 131 000	31 477 000	33 461 000	39 025 000
Budgetary allocation	23 176 000	26 329 000	29 131 000	31 477 000	33 461 000	
Net utilisation	21 437 812	24 227 032	28 547 867	29 938 011		
Unused allocation	1 738 188	2 101 968	583 133	1 538 989		

Source: Commission. Adjustments to the financial perspective.

Table 7

Impact of the adaptations of the financial perspective to the conditions of implementation

Appropriations for commitments

(Mio ECU)

Structural Funds	1995	1996	1997	1998	1999
1996 adaptation		869	869		
1997 adaptation			380	1 000	693
1998 adaptation				-500	1 045
1999 adaptation					1 433
TOTAL		869	1 249	500	3 171

Cohesion Fund	1995	1996	1997	1998	1999
1997 adaptation			11		
1998 adaptation					17
1999 adaptation					101
TOTAL			11		118

The Commission proposed an adaptation of 5 Mio ECU under the EEA financial mechanism.

Appropriations for payments

Structural measures	1995	1996	1997	1998	1999
1996 adaptation		935	696	434	173
1997 adaptation			186	633	632
1998 adaptation				-300	300
1999 adaptation					300
TOTAL		935	882	767	1 405

Table 8

Comparison between the initial financial plans and those in effect at 31.12.1997 for all the aid measures under Objective 2 (period 1994 to 1996)

(ECU)

		Initial financial plans			Current financial plans			Difference between the financial plans			Ratio plans in effect/initial plans		
		Total SF	ERDF	ESF	Total SF	ERDF	ESF	Total SF	ERDF	ESF	Total SF	ERDF	ESF
Belgium	1994	51 000 250	41 440 500	9 559 750	4 526 261	1 214 500	3 311 761	-46 473 989	-40 226 000	-6 247 989	8,87 %	2,93 %	34,64 %
	1995	53 000 250	43 068 500	9 931 750	10 785 161	5 199 971	5 585 190	-42 215 089	-37 868 529	-4 346 560	20,35 %	12,07 %	56,24 %
	1996	55 999 500	45 511 500	10 488 000	118 218 058	104 208 719	14 009 339	62 218 558	58 697 219	3 521 339	211,11 %	228,97 %	133,57 %
	Total	160 000 000	130 020 500	29 979 500	133 529 480	110 623 190	22 906 290	-26 470 520	-19 397 310	-7 073 210	83,46 %	85,08 %	76,41 %
Denmark	1994	17 796 000	14 051 000	3 745 000	1 553 000	1 500 000	53 000	-16 243 000	-12 551 000	-3 692 000	8,73 %	10,68 %	1,42 %
	1995	18 565 000	14 657 000	3 908 000	21 990 000	19 731 000	2 259 000	3 425 000	5 074 000	-1 649 000	118,45 %	134,62 %	57,80 %
	1996	19 639 000	15 502 000	4 137 000	30 560 000	22 511 000	8 049 000	10 921 000	7 009 000	3 912 000	155,61 %	145,21 %	194,56 %
	Total	56 000 000	44 210 000	11 790 000	54 103 000	43 742 000	10 361 000	-1 897 000	-468 000	-1 429 000	96,61 %	98,94 %	87,88 %
Germany	1994	233 210 000	164 000 000	69 210 000	25 271 004	13 230 004	12 041 000	-207 938 996	-150 769 996	-57 169 000	10,84 %	8,07 %	17,40 %
	1995	243 011 000	170 341 000	72 670 000	105 609 000	57 753 000	47 856 000	-137 402 000	-112 588 000	-24 814 000	43,46 %	33,90 %	65,85 %
	1996	256 781 000	179 341 000	77 440 000	572 498 000	409 976 000	162 522 000	315 717 000	230 635 000	85 082 000	222,95 %	228,60 %	209,87 %
	Total	733 002 000	513 682 000	219 320 000	703 378 004	480 959 004	222 419 000	-29 623 996	-32 722 996	3 099 000	95,96 %	93,63 %	101,41 %
Spain	1994	360 000 312	277 100 000	82 900 312	205 203 512	167 146 973	38 056 539	-154 796 800	-109 953 027	-44 843 773	57,00 %	60,32 %	45,91 %
	1995	373 999 614	288 000 000	85 999 614	262 646 028	201 164 999	61 481 029	-111 353 586	-86 835 001	-24 518 585	70,23 %	69,85 %	71,49 %
	1996	395 999 288	305 000 000	90 999 288	522 127 158	413 071 672	109 055 486	126 127 870	108 071 672	18 056 198	131,85 %	135,43 %	119,84 %
	Total	1 129 999 214	870 100 000	259 899 214	989 976 699	781 383 644	208 593 055	-140 022 515	-88 716 356	-51 306 159	87,61 %	89,80 %	80,26 %
France	1994	561 425 401	464 840 201	96 585 200	164 124 497	108 265 494	55 859 003	-397 300 904	-356 574 707	-40 726 197	29,23 %	23,29 %	57,83 %
	1995	584 402 499	479 362 500	105 039 999	289 904 263	219 764 876	70 139 387	-294 498 236	-259 597 624	-34 900 612	49,61 %	45,85 %	66,77 %
	1996	617 372 097	508 357 299	109 014 798	1 127 558 014	1 011 424 700	116 133 314	510 185 917	503 067 401	7 118 516	182,64 %	198,96 %	106,53 %
	Total	1 763 199 997	1 452 560 000	310 639 997	1 581 586 774	1 339 455 070	242 131 704	-181 613 223	-113 104 930	-68 508 293	89,70 %	92,21 %	77,95 %
Italy	1994	210 737 000	166 687 000	44 050 000	11 145 391	10 312 790	832 601	-199 591 609	-156 374 210	-43 217 399	5,29 %	6,19 %	1,89 %
	1995	219 634 000	173 712 000	45 922 000	19 126 607	12 509 621	6 616 986	-200 507 393	-161 202 379	-39 305 014	8,71 %	7,20 %	14,41 %
	1996	253 629 000	201 921 000	51 708 000	493 740 620	377 261 230	116 479 390	240 111 620	175 340 230	64 771 390	194,67 %	186,84 %	225,26 %
	Total	684 000 000	542 320 000	141 680 000	524 012 618	400 083 641	123 928 977	-159 987 382	-142 236 359	-17 751 023	76,61 %	73,77 %	87,47 %
Luxembourg	1994	2 000 000	1 723 000	277 000	899 532	714 997	184 535	-1 100 468	-1 008 003	-92 465	44,98 %	41,50 %	66,62 %
	1995	2 000 000	1 723 000	277 000	517 669	378 496	139 173	-1 482 331	-1 344 504	-137 827	25,88 %	21,97 %	50,24 %
	1996	3 000 000	2 583 000	417 000	3 920 241	3 467 149	453 092	920 241	884 149	36 092	130,67 %	134,23 %	108,66 %
	Total	7 000 000	6 029 000	971 000	5 337 442	4 560 642	776 800	-1 662 558	-1 468 358	-194 200	76,25 %	75,65 %	80,00 %

		Initial financial plans			Current financial plans			Difference between the financial plans			Ratio plans in effect/initial plans		
		Total SF	ERDF	ESF	Total SF	ERDF	ESF	Total SF	ERDF	ESF	Total SF	ERDF	ESF
Netherlands	1994	95 960 000	66 940 000	29 020 000	11 554 342	672 745	10 881 597	-84 405 658	-66 267 255	-18 138 403	12,04 %	1,00 %	37,50 %
	1995	99 090 000	67 880 000	31 210 000	26 279 204	10 398 319	15 880 885	-72 810 796	-57 481 681	-15 329 115	26,52 %	15,32 %	50,88 %
	1996	104 950 000	71 160 000	33 790 000	186 289 913	132 900 530	53 389 383	81 339 913	61 740 530	19 599 383	177,50 %	186,76 %	158,00 %
	Total	300 000 000	205 980 000	94 020 000	224 123 459	143 971 594	80 151 865	-75 876 541	-62 008 406	-13 868 135	74,71 %	69,90 %	85,25 %
United Kingdom	1994	681 998 000	511 607 000	170 391 000	144 811 000	28 794 000	116 017 000	-537 187 000	-482 813 000	-54 374 000	21,23 %	5,63 %	68,09 %
	1995	710 001 000	532 642 000	177 359 000	237 928 000	130 003 000	107 925 000	-472 073 000	-402 639 000	-69 434 000	33,51 %	24,41 %	60,85 %
	1996	750 001 000	562 631 000	187 370 000	1 634 690 000	1 362 960 000	271 730 000	884 689 000	800 329 000	84 360 000	217,96 %	242,25 %	145,02 %
	Total	2 142 000 000	1 606 880 000	535 120 000	2 017 429 000	1 521 757 000	495 672 000	-124 571 000	-85 123 000	-39 448 000	94,18 %	94,70 %	92,63 %

Source: Financial plans of the Objective 2 SPDs and programmes.

Table 9

Analysis of the underlying reasons for a low rate of utilisation of Community appropriations (replies to the questionnaire)

	(a) Number of replies	(b) Very important	(c) Important	(b) + (c) / (a)	(d) Not very important	(e) Negligible
A. PROGRAMMING						
1. Difficulties in drawing up the SPD/CSF/OP	50	4	13	34,00 %	17	16
2. Delays in adoption of the SPD/CSF/OP	48	11	22	68,75 %	7	8
3. Existence of suspensive clauses and delays in rescinding them	41	2	3	12,20 %	8	28
4. Inclusion of measures not originally planned	45	4	9	28,89 %	4	28
5. Priority given to completion of aid measures from preceding periods	46	4	2	13,04 %	8	32
6. Initial financing plan proved to be over-optimistic	47	9	22	65,96 %	10	6
7. Little flexibility in text of the SPD/CSF/OP	47	2	12	29,79 %	14	19
8. Need to make big changes to the SPD/CSF/OP/measure, etc.	50	8	18	52,00 %	13	11
9. Difficulties and delays in making these amendments/reprogramming	48	9	19	58,33 %	10	10
10. Cumbersome nature of administrative procedures:						
— Community procedures	49	6	27	67,35 %	8	8
— national procedures	44	13	15	63,64 %	8	8
B. FINANCIAL CHANNELS						
1. Delays in the arrival of Community funds:						
— in the Member State	42	2	8	23,81 %	14	18
— in the region	36	5	8	36,11 %	12	11
— other level	27	1	4	18,52 %	12	10
2. Concentration of the financial operations at the year-end:						
— for the Community payments	35	3	7	28,57 %	10	15
— for the payments within the Member State	36	3	7	27,78 %	10	16
3. The existing procedures do not enable advances to be paid to final beneficiaries or these payments can be made only on certain conditions likely to lengthen the procedures	48	7	14	43,75 %	10	17
C. PROCESSING OF THE FINANCIAL DATA						
1. Difficulties in gathering financial data from beneficiaries (state nature of the difficulty: e.g. lack of separate accounts, etc.)	50	10	16	52,00 %	13	11

	(a) Number of replies	(b) Very important	(c) Important	(b) + (c) / (a)	(d) Not very important	(e) Negligible
2. Inadequate knowledge by administrators of Community thresholds triggering payments of advances and balances	45	2	5	15,56 %	19	19
3. Length of the channels for sending financial data	47	3	15	38,30 %	23	6
4. Length of the procedure for sending payment claims to the Commission	43	4	9	30,23 %	19	11
5. Slowness of the Commission's analysis of the financial data	44	2	11	29,55 %	21	10

D. BUDGET

1. Difficulties in mobilising counterpart funds:						
— national	37	7	5	32,43 %	12	13
— regional/local	38	4	7	28,95 %	14	13
— private	33	3	10	39,39 %	10	10
2. Budgetary restrictions not foreseen at the following levels:						
— national	39	5	6	28,21 %	15	13
— regional/local	35	1	6	20,00 %	14	14
— other	19	0	1	5,26 %	6	12
3. Variations in the national currency/ecu exchange rate:						
— devaluation	36	1	8	25,00 %	5	22
— revaluation	29	0	4	13,79 %	6	19
4. Slowness of the budgetary implementation procedures connected with the existence of Community co-financing	48	2	10	25,00 %	19	17
5. Contradictions between Community and national procedures/rules (e.g. concept of commitment)	50	13	11	48,00 %	13	13

E. IMPLEMENTATION OF THE AID MEASURE

1. Difficulties in starting up the procedures for selecting measures/projects before the adoption of the Commission Decision granting aid	50	8	17	50,00 %	12	13
2. Inadequate awareness by aid beneficiaries of Community rules and procedures	52	12	14	50,00 %	19	7
3. Changes in the administrative environment (e.g. departmental reorganisation, change in procedures, etc.)	51	13	11	47,06 %	14	13
4. Exceptional circumstances (e.g. political changes, privatisations, natural catastrophes, etc.)	43	6	6	27,91 %	3	28
5. Application of Article 24 of Regulation (EEC) No 4253/88 (reduction, suspension and cancellation of aid)	38	1	1	5,26 %	12	24
6. Difficulties in coordinating several Community and national administrators (especially in the case of multi-fund programmes)	48	15	12	56,25 %	10	11

	(a) Number of replies	(b) Very important	(c) Important	(b) + (c) / (a)	(d) Not very important	(e) Negligible
7. Difficulties in coordinating a high number of aid beneficiaries	49	10	14	48,98 %	14	11
8. Shortcomings of the Monitoring Committee:						
– set up belatedly and/or inadequate number of meetings	38	1	4	13,16 %	10	23
– unsuitable organisation in relation to needs (e.g. little time to study documentation or to allow the involvement of a high number of participants, etc.)	39	4	8	30,77 %	9	18
– length of procedures for adopting decisions	39	7	7	35,90 %	13	12
9. Time taken for the annual/final report for						
– the drawing-up	38	0	6	15,79 %	15	17
– the forwarding	36	1	0	2,78 %	18	17
– the approval by the Commission	37	2	6	21,62 %	15	14
10. Difficulties encountered at the level of a measure/operation/project or aid beneficiary which have the effect of delaying the whole aid measure	39	6	7	33,33 %	8	18

F. IMPLEMENTATION OF THE OPERATIONS

1. Late start-up of projects/operations connected with:						
– tendering procedures for public contracts	41	8	13	51,22 %	8	12
– procedures to evaluate the environmental impact	40	4	12	40,00 %	10	14
– results of feasibility studies	41	4	9	31,71 %	14	14
– other reasons (e.g. expropriation, etc.)	28	6	9	53,57 %	4	9
2. Difficulties during the implementation (e.g. unforeseen technical difficulties, bankruptcy, cost increase, etc.)	47	1	15	34,04 %	16	15
3. Slowness of the procedures to amend the measures/operations/projects, due to:						
– delays in their implementation	40	4	11	37,50 %	14	11
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COMMISSION'S REPLIES

2. SUMMARY OF MAIN OBSERVATIONS

The Commission considers that this summary of the Court's observations may give an unduly negative impression of the operations of the Structural Funds. The Court concentrates on the inevitable imperfections and weaknesses of Fund management. But for every programme with problems there are many which are progressing normally and bringing clear and widely appreciated benefits.

The successful use of the Structural Funds requires the drawing-up of sensible rules and then a major effort, on a massive scale, of planning, programme formulation, programme management and monitoring, budgetary and financial management and evaluation. Financial targets have to be met and, at the same time, a quality product has to be ensured. Large numbers of people are involved in this work at the various levels; there are hundreds of programmes and hundreds of thousands of projects.

The Commission, for its part, makes the best contribution it can to managing the current programmes and to ensuring the presence and proper operation in the Member States of efficient management and control systems. The Commission has also proposed, in the light of experience, for the new programming period starting in 2000, major changes in the rules in such key areas as programming, partnership, financial management and control and evaluation. Many of these changes aim at simplification, decentralisation and the clarification of responsibilities and are designed further to increase the usefulness of Structural Funds operations.

2.2. The low absorption rate of appropriations in 1994 and 1995 was due to the slow start-up of the new programming period. The budgetary execution of Community Initiatives was particularly affected, no doubt mainly because of the large number of Initiatives and of CI programmes, but it has since improved. The insufficiency of 1997 payment appropriations is explained by the fact that the budgetary authority had cut the volume of payment appropriations in comparison with the Commission proposals and did not authorise a transfer.

2.3. The situation described by the Court illustrates the difficulty of reconciling the budget annuality principle and the multiannual planning used for the Structural Funds. Furthermore, Community payments and commitments depend on implementation on the ground

and the absorption of Community appropriations by the Member States, all of which are difficult to forecast accurately within the time limits for the budgetary procedures of the Union.

2.4. The Commission has proposed for the forthcoming programming period a system under which the annual commitments in respect of a programme would be made automatically.

2.5. Information on the implementation of operations is included in the Member State declarations of expenditure and the annual progress report on each programme, and is obtained in certain cases from the annual closure of operations. The Commission presents this information in its annual reports on Structural Funds implementation. For the next programming period the Commission has proposed a greatly simplified indexation system and is developing a new common information system.

The information presented by the Commission in the revenue and expenditure account and in the financial statement as 'off-balance sheet obligations' may raise marginal questions of interpretation. For further comment, please see point 4.2.

2.6. Precise budgetary forecasting is hardly possible, given the multiannual nature of the operations and the great variety of situations of implementation on the ground. However, the Commission and the Member States are cooperating in the context of the SEM 2000 initiative to improve forecasting so far as this can realistically be done.

2.8. The Commission wishes to underline that the causes of delay described in this paragraph emerge from an analysis of the programmes which were progressing particularly slowly. Such problems should not therefore be assumed to be widespread. However, a number of the problems mentioned should be solved or eased by recent Commission action (e.g. in adopting precise eligibility rules) or by the Commission's proposals for regulatory change for the next programming period. Others require greater operational efficiency at various levels. Yet others (for example, the overlapping of programming periods, the difference between Community and certain national procedures, variations in exchange rates) have to be lived with and coped with by the officials concerned.

2.9. The Commission will continue to seek to ensure, in partnership with the Member States, the best possible management of Structural Funds programmes.

3. FINANCIAL PROGRAMMING AND BUDGETARY IMPLEMENTATION OF THE STRUCTURAL OPERATIONS

3.1. The distribution of Structural Fund appropriations among Objectives, Community Initiatives and Member States was a major technical and political operation which the Commission considers that it carried out efficiently, in conformity with the regulations and, given the magnitude of the task, within a reasonable time.

3.5.-3.7. The Commission agrees that progress with the Community Initiative programmes has generally been too slow, but it should be understood that these programmes frequently required the setting-up of new management structures, for example a new type of local partnership for the URBAN and Interreg II programmes. Delays also resulted from the large number of programmes proposed, often late, by the Member States (for certain countries a separate programme for each project and for each region), many of which did not meet the minimum quality standard required. Adoption of most of the CIs in 1995 and 1996 led to better implementation of commitment appropriations for those two years.

The Commission has proposed for the next programming period that there should only be three CIs, and will press for there to be far fewer individual programmes than now.

With respect to the shortfall in commitment appropriations in 1997, the volume of commitment appropriations which the budgetary authority finally entered in the Community budget was smaller than what the Commission proposed. The budgetary authority also did not authorise a transfer of payment appropriations towards the end of 1997.

3.8. The amount of ECU 3 171 million represents only about 2 % of the total budget allocation for 1994-1999. The ECU 1 405 million for payments relates to the overall (theoretical) financial perspective, and does not correlate directly with the structural operations and the budget of 1999.

3.11. Implementation of Objective 2 took place in two phases (1994-1996 and 1997-1999) in accordance with the rules. This made it necessary to concentrate funds somewhat artificially into the last tranche of the first period, whereas if the outlay had been programmed over the entire 1994-1999 period, the funds would not have had to be concentrated and could have been spread over the second part of the period. In addition, the transfer to 1997-1999 represents no more than 12 % of the total Objective 2 allocation for 1994-1996.

3.12. The rules of financial management are based on the principle of proportionality between expenditure incurred on the ground in respect of an operation and the volume of Community commitments and payments in respect of the operation in question. It is clear, however, that Commission commitments and advance payments for the co-financing of operations at variable rates cannot reflect precisely the actual implementation of these operations; they only give an indication of actual progress on the ground. The Commission's regulatory proposals for the new programming period include the concept that, after an initial payment on account, subsequent Commission payments should no longer be advances but should be reimbursements of payments actually made in the Member States. On that basis, the Commission payments would reflect more directly real progress on the ground. The Commission has also proposed that programmes involving a Community contribution of ECU 40 million or less should no longer be the subject of a single commitment but should, like the larger programmes, be committed in annual instalments.

The annual reports enable Member States to send the Commission information on the implementation of projects and their progress on the ground. The Commission, in order to do its job, does not require detailed information about the state of execution of individual projects.

4. EXISTING INFORMATION ON THE IMPLEMENTATION OF STRUCTURAL OPERATIONS

4.1. The Commission takes the view that although the various management information systems set up could be improved, they provide operators with the information they need. The Commission encourages the Member States to improve the monitoring systems by providing technical assistance.

For the next period, the Commission proposes that the Member States tighten their monitoring, information and control systems in return for the decentralisation of the management of projects.

4.2. The subject of 'off-balance sheet obligations' for structural actions raises questions of definition. In the Commission's view the basic obligations are derived from the Edinburgh allocations, the Structural Funds and Cohesion Fund regulations and the Interinstitutional Agreement. Accordingly, the off-balance sheet obligations may be defined as the overall Structural Funds allocations (including full indexation), less the implementation. This amount represents the ceiling of the relevant obligations,

as well as the likely outcome, subject to any future (still unknown) decommitments.

The Court wants a distinction to be made regarding 'legal commitments'. This would imply a reduction of the above amount by (i) indexation to the extent that Member States have not yet formally made use of their option to allocate the indexation to specific programmes and (ii) amounts still to be allocated at programme level (e.g. reserves). These amounts are fairly marginal at the end of the programming period, but still constitute an obligation for the structural actions. In addition, there are continuous reallocations at programme level, making a 'bottom-up' calculation of off-balance obligations at a given date impracticable.

A further problem in calculating and verifying the off-balance obligations at a given date is that only commitments and payments are registered as accounting data; the programme allocations are not registered in the same way. This may raise questions of interpretation.

4.3. The Commission has explained and justified its administrative and accounting practices in this area in its replies to paragraph 21.4 of the Court's 1996 Annual Report and paragraphs 3.34-3.35 of the 1995 DAS report. The 'standard clauses' explicitly allow two possible methods of closing annual instalments. The principle of annuality of the Community budget inevitably introduces an element of 'artificiality' into the budgetary treatment of the Structural Funds' multiannual programmes.

4.4. The Commission is preparing a proposal for a major revision of the Financial Regulation. This will take full account of the Court's Opinion No 4/97.

4.5-4.6. The allocation of clearly defined amounts to structural operations (Structural Funds and the Cohesion Fund) was established in the specific framework regulations of the instruments concerned and in the Interinstitutional Agreement. Special budgetary procedures ensure that the amounts in question are in fact made available. Budgetary management in terms of commitment appropriations makes it possible to ensure that the provision is observed and to check it.

The allocation is made when the decisions awarding Community aid for programmes and projects are adopted. In this context, the commitments, as is the case for any operation financed by the Community budget, constitute an upper limit for authorised payments for a given project. The innovation in the specific financial rules of the Structural Funds and the Cohesion Fund is that the limit changes over time following the

commitment of successive tranches. The rescheduling of the financial plans for programmes is designed to adapt programming of operations to actual implementation. The adaptation of financial plans makes it possible to ensure that the full amount of the Community contribution is committed.

The new proposals for regulations for the next programming period represent a simplification of the system since the commitments will be made automatically each year, and payments will be based solely on the actual expenditure incurred. The system of automatic commitment should eliminate the phenomenon of rescheduling at the end of a period.

4.7. The Commission is trying to set up a more efficient system to replace ARINCO. However, during the current programming period, each lead department had access to the information needed to monitor the Funds' objectives for which it was responsible. The overall results are presented in the annual reports of the Structural Funds.

5. BUDGETARY PROCEDURES FOR STRUCTURAL OPERATIONS

5.1.-5.2. The use of budget transfers is an integral and normal part of the budgetary management of the Structural Funds. The Commission does not consider that these transfers are excessive in percentage terms. The most substantial movements were submitted to the budgetary authority for approval together with the relevant supporting documents. In 1994 and 1995 there were two main grounds for transfers:

1. distribution by Fund and consequently by budget chapter was not known beforehand;
2. the rate of adoption of the operations varied from one objective to another.

When the preliminary draft budget is being prepared, account has to be taken of all kinds of elements which are often hard to predict, for example completion of the adoption procedures in respect of operations or their rate of implementation. The example cited by the Court concerning the CSF/SPD of Objective 2 precisely reflects the fact that under-utilisation in the case of these projects in 1996 could not be taken into account in the 1997 budget estimates.

In the case of commitment appropriations the total budget is predetermined. In its forecasts the Commission must look for the best distribution of the total amount between the budget headings.

Within the SEM 2000 framework, the Commission has established a Budgetary Network with the Ministries of Finance in the Member States, with one purpose which is to improve budget forecasting. Nevertheless, the complexity and flexibility (in the form of options available to Member States) of the present delivery system imply a degree of uncertainty in budgetary forecasting that has to be dealt with by transfers, etc.

5.3. Updated financial plans are used to prepare the preliminary draft budget for the Structural Funds. For the 1995 budget (prepared in the spring of 1994), account was taken of changes already made and in some cases of those under way.

5.4. The Commission bases the budget forecasting of payments on different 'bottom-up' and 'top-down' methods, which are not confined to 'applying percentages':

- an item-by-item assessment of the needs for payment appropriations for settling outstanding commitments (RAL) and new commitments of the current year;
- a forecast by Member States within the Budgetary Network mentioned at points 5.1. and 5.2;
- an extrapolation analysis of the growth of commitments and related payments over time;
- a lump sum adjustment for likely over-budgeting in a bottom-up approach;
- a lump sum adjustment reflecting the need for overall budgetary rigour.

5.5. The Commission emphasises again the legitimacy of the transfer mechanism as a means of adjusting budget allocations to changing requirements.

5.7. The managers of the programmes are aware of the nature of the financial plans and consider them a useful and necessary planning and management tool.

5.8.-5.9. The Commission informs the Member States of the available financial resources resulting from the application of indexation. The Member State is free to make proposals for allocating the additional resources to ongoing operations or to new operations.

The Commission considers that the system has worked adequately in practice. Nevertheless, although the indexation method was simplified for the period 1994-1999 compared with the previous period, it is still too complex in its application. For the forthcoming programming period the Commission has therefore proposed that the new CSFs, SPDs and CIs be adopted at current prices.

6. DELAYS IN THE UTILISATION OF COMMUNITY APPROPRIATIONS AT THE LEVEL OF THE INDIVIDUAL FORMS OF INTERVENTION

General observations

6.1. The Commission draws special attention to the Court's observation as to the non-representativity of the results of its questionnaire, sent as it was to the managers of the 31 slowest-moving programmes (some 3 % of all programmes). This circumstance needs to be kept fully in mind in reading the Court's report.

6.2.-6.5. The considerable volume of financial resources involved and the large number of draft programming documents — some, in the Commission's view, of insufficient quality — meant that extra time was needed to meet the quality criteria set out in the regulations, especially those requiring precise quantification of objectives, prior appraisal of the expected environmental impact and compliance with the principle of additionality.

6.6.-6.8. It is clear that the national procedures applied for the implementation of Structural Funds operations may affect the rate of absorption of the funds available. These procedures must nevertheless take proper account of Community requirements.

6.9. The regulations set the initial eligibility limit in respect of expenditure incurred by final beneficiaries. This is the date of receipt by the Commission of the corresponding application for assistance from the Member State. The final date for commitment appropriations is specified in the Commission decision approving the form of intervention and refers to legal and financial commitments.

The concept of the 'validity of the commitment by the Member States' was defined in an eligibility data-sheet drawn up by the Commission together with the Member States. The payments system for the new programming period proposed by the Commission will mean that the final date for national commitments will no longer have any operational consequences.

6.10. It is true that there is no initial final date for the commitment of expenditure. The Commission, however, has specified the conditions of eligible expenditure in respect of commitments entered into before the date of the beginning of the operation (namely before the Commission received the corresponding application for assistance) in paragraph 1.4 of data-sheet 2 on eligible expenditure.

6.11. The Commission cannot confine co-financing under the Structural Funds either to operations under way or to new operations; on the contrary it must provide support both for on-going operations and for the development of new operations corresponding to Community priorities.

6.12. The Commission agrees that the coordination required in the case of multi-fund programmes is difficult, but considers that it has improved.

6.13. The monitoring committees, organised and chaired by the Member States, are in reality too diverse to justify broad generalisations about their effectiveness, which has, in the Commission's view, in many cases improved. They play an essential part in the management of Structural Fund operations.

In the context of the reform of the Funds for the next programming period, the Commission proposes decentralising decisions concerning the implementation of operations. This should help to simplify procedures within Member States.

Programming

6.14.-6.16. The Italian authorities had considerable difficulty in adapting to the programme approach of the Structural Funds and considerable delays affected programme approvals and the implementation of programmes on the ground. For this reason the Commission and the Italian central and regional authorities concluded an agreement in July 1995 to improve the management of the Structural Funds in Italy.

The negotiations on some programmes were protracted. This was due primarily to weaknesses in the proposals. Two DG XVI-led programmes presented in 1994 were indeed only adopted in 1997 — Interreg II Italy-Austria and Italy-Slovenia. Negotiations on these programmes were difficult but the Commission agrees that they should have been concluded more rapidly.

6.17. Member State proposals for co-financing of global grants frequently raise difficult issues which inevitably take time to settle.

6.18. The Commission's departments responsible for the State aid sector have taken a number of steps to avoid unnecessary delays in approval procedures. Moreover, the recent approval of Council Regulation (EC) No 994/98 on the application of Articles 92 and 93 of the Treaty creates the possibility for the Commission to exempt certain important categories of aid from the notification requirements of Article 93(3). This should further simplify and facilitate the implementation of business aid measures under the next generation of Structural Fund programmes.

6.19. The annual distribution provided for in the financial plans can only provide a guide for the remaining years. This is a consequence of the multiannual nature of programming and the current financial management system. In addition, the financial perspective is drawn up by the budgetary authority for use when annual budgets are being established; they must therefore somehow be reflected in the programming of the Structural Funds.

6.21. It appears rational, where expenditure could be attributed to either of two successive programming periods, to attribute it to the former period if the appropriations are available.

6.22. The decentralisation of decisions concerning the implementation of operations, as proposed by the Commission for the next programming period on the basis of experience, should certainly have the effect of simplifying the procedures for changing programmes.

Financial channels

6.23. The Commission endeavours to make its own payments as quickly as possible. The regulations provide for a system of advances in order to prefinance the payments the Member States must make under the Structural Funds. The complexity of financial channels referred to by the Court is unavoidable given that several national, regional and local authorities have to act in turn.

6.24.-6.26. Structural Funds co-financing is based on advances to the Member States aiming at facilitating the smooth implementation of the operations. It is clear, however, that the national administrative arrangements for implementation have an important impact on the progress of the programmes and the absorption of the available funds. The Commission cannot replace the Member States in this respect. However, Regulation (EC) No 2064/97 includes specific provisions which are expected to improve the situation: Article 2(2)(b) provides for verification by the Member State of the

allocation and the transfers of the available Community and national funds; Article 4(f) provides for verification that the payment of the Community contributions to final beneficiaries is made without any reductions or unjustified delays.

6.27. The low level of public expenditure in 1994 reflects the late adoption of this programme. The annual distribution of expenditure was guided more by the financial perspective than by realistic expectations of implementation. In addition the annual tranches are established at programme level and are not necessarily geared to each of the 1 256 projects co-financed in Saxe-Anhalt during the period 1994-96.

6.28. In 1997 only 20 % of payments were made in December, as compared with 48 % in 1994. The corresponding figures for commitments were 32 % and 60 %. The Commission's proposals for the next programming period would eliminate the concentration of Commission commitments and payments towards the year-end.

6.29. The procedures referred to by the Court would need to be set up within the Member States. The Commission agrees that Member State expenditure declarations are not always reliable. The proper application of Regulation (EC) No 2064/97 is expected to improve the situation.

6.30.-6.32. The Commission is aware that delays in financial procedures may be caused by problems with information flows in the Member States. It recalls, however, that its own payments generally take the form of advances to cover Member State expenditure which has not yet been declared. It is expected that the provisions of Article 2(2)(a) of Regulation (EC) No 2064/97 about the audit trail will improve the quality and the speed of these information flows. The trigger points are calculated on the basis of the expenditure amounts indicated in the financial plans and the percentages provided for by Article 21 of Regulation (EEC) No 4253/88; on this basis, ignorance about trigger points at Member State level does not appear justified. The Commission's proposals for the new programming period provide for the Commission to make payments on the basis of Member State expenditure declarations which will no longer have to reach a specific minimum level in order to trigger the payment.

Delays in payment by the Commission generally affect only the final instalment on a programme; they are usually due to lack of sufficient information from the Member State. The Commission cannot close a programme if it is not put in a position to do so.

6.33. It is evident that the implementation rate of the programmes and the speed of the information flows from final beneficiaries through various intermediaries to the

Commission considerably affect the rate of Community payments. These payments can only give an indication of real progress on the ground; they cannot reflect it precisely.

Mobilisation of resources

6.35. The Court's comment is based on the situation in Italy in 1994 and 1995. It is true that in the three Italian regions checked by the Court in 1996, central government co-financing reached the region very late. But in two of the three regions the regional authorities opted to prefinance the amount payable by central government. Since then the problem has been solved (see reply to paragraph 7.57 of the annual report for 1996).

6.37. Quite separate from negotiations with the Commission, Corsica dropped plans to have the incinerators at Bastia and Ajaccio financed under SPD 1994-99. For technical reasons the second project was not yet ready to be launched and the regional authorities preferred to carry out both projects at the same time.

6.38.-6.39. Applications for co-financing private investments are checked to ensure that they are in conformity with the current aid scheme (for Germany, the 'Gemeinschaftsaufgabe') and not to measure their possible impact on the economy or other external factors.

6.42. It is recognised that the Italian administrative procedures are too long and complex. It is therefore more appropriate, as stipulated in the 'Intesa' (agreement between the Italian government and the Commission of 26. July 1995 aiming at improvements in the use of the Structural Funds in Italy), to streamline these procedures than to adjust Structural Funds programmes (including financial plans) to take account of the delays the existing procedures cause.

6.43-6.44. The Commission has long been aware of the effect of national currency/ecu exchange rate fluctuations. It does all in its power to attenuate these effects when they are negative. The legislation requires financial plans and accounts of operations to be drawn up in ecus, which eliminate the exchange risks for the Community budget and in a way promotes the Community currency. The effects referred to will disappear for Member States in the euro zone. As regards Italy, the fluctuation of the lira against the ecu had a detrimental effect on the closure of the 1989-93 programmes. However, it is not clear if an 'effective reaction', which would imply an increase in national spending to draw down all the

available Community aid, would have been an available option in many cases. For example, due to the fact that they worked in the national currency and made their declarations on the basis of the amounts they received from the national Treasury in lire, many intermediary organisations managing global grants had no practical way of increasing their existing budgets.

Implementation

6.45. The definitions of commitment, final beneficiary and eligible expenditure were clarified with the adoption of the eligibility datasheets by the Commission in consultation with the Member States. More generally, the Commission makes a continuous effort to provide information; the Member States must also participate in this work as required by the regulations.

6.46. The application of the Structural Funds in the new Member States inevitably required the setting up of new administrative systems and the adaptation of national systems to disburse and account for the expenditure of EU monies. Certain start-up problems arose but these have now largely been resolved.

6.47. The offsetting of recoveries against payments at the level of the same national implementing authority is an accounting practice aiming at the simplification of procedures; it cannot be considered a valid reason for delays in the implementation of a subsequent programme.

The Commission, rightly, does not make payments until the Member State has presented the necessary information.

6.48. The ERDF and the ESF are not administered in the same way, but the regional managers of the Fund are familiar with and can handle these differences. In the Commission, the lead DG acts as coordinator; coordination is achieved by interdepartmental meetings where operational and financial questions are raised and solved.

For the charging of Hainaut SPD projects between the ERDF and the Social Fund, the manager had access to all the necessary information concerning eligibility for the Structural Funds, since the separation between Funds was made clear both in the SPD and at partnership meetings with the region of Wallonia.

6.49. The new general regulation proposed by the Commission details the contents of the annual report (Article 36) and provides that intermediate payments of funds will not be made unless the annual implementing

report of the previous year containing the data specified in Article 36 has been sent to the Commission (Article 31.3). In addition, the Commission will be required to notify the Member State and the designated authority if any of the conditions for disbursing intermediate payments is not fulfilled.

6.50. The financial profiles of all measures in the Sardinia regional programme have now been adjusted in the reprogramming adopted in December 1997. Furthermore, measures have been modified to improve flexibility and to eliminate projects which cannot be implemented in the required time scale. This process will continue in forthcoming monitoring committees, depending on the progress made in implementing the revised programme.

6.51. It is important to minimise delays relating to the need to ensure that all the projects comply with the relevant Community regulations.

6.52. Sardinia: please see comments on paragraph 6.50. Corsica: following delays, a reprogramming of the SPD was decided by the Commission on 30 July 1996. New procedures were introduced by the competent Member State authorities in November 1996 and January 1997 with a view to improving monitoring and implementation of the SPD.

6.53. Some delays are inevitable given that it is impossible to plan the implementation of projects precisely. The amendment procedures should be simplified by the Commission proposal to decentralise the implementation of operations. Irregularities must clearly be corrected even if this means a delay.

7. CONCLUSION

7.1. The annual commitment appropriations entered in the budget for structural actions correspond to the financial perspective. It is difficult to make accurate forecasts of requirements for payment appropriations, since they are related to the variable progress of hundreds of programmes and hundreds of thousands of individual projects. The Commission and the Member States are together seeking to improve these forecasts.

7.2. In its current major review of the Financial Regulation the Commission intends to clarify the relationship between the horizontal and the sectoral financial rules.

7.4. The Commission does not consider that its approach to budgetary commitments for Structural Funds programmes gives a confused image; it is clear that there is no precise relationship, during the currency of a programme, between commitments from the Community budget on the one hand and the real progress of a programme on the other hand.

The financial plans are considered useful by the programme managers.

The Commission's proposals for the period 2000-2006 are designed to clarify responsibilities in the area of programming and increase the degree of decentralisation to the Member States.

7.5. Those concerned with the policy management and/or the financial management of a programme at any given level need to be in possession of the information which they require in order to do their own job properly.

The Commission's recent Regulation (EC) No 2064/97 on financial control includes requirements, for example on the audit trail, which should improve the quality of financial information.

The Commission hopes to establish for the next programming period an improved horizontal information system to replace ARINCO. However, it is not necessary for everyone concerned with the Structural Funds to have

access to the same global stock of information. In particular, the Commission does not consider that it requires access to detailed information at project level.

7.6. The main requirement is to ensure that the beneficiaries receive without unjustified delay the payments to which they are entitled. Once the Commission has paid the advance, this must depend essentially on the efficiency of Member State financial circuits and procedures. The Commission was obliged to make payments through commercial banks in most Member States, since payments are made in ecus and only two Member States have authorised the national treasury to keep accounts in ecus.

As of 1999, this complication will disappear in the Member States members of the euro zone.

7.7. The Commission would point out that the Court's chapter 6 concerning delays mainly reflects the experience of managers of programmes with the greatest delays (3 % of the total). Most of the programmes proceed normally with no great delays. The Commission, however, accepts that several aspects of programme management could be improved and speeded up. Its proposals for the reform of the new programming period should make a major contribution to this improvement.

7.8. The Commission intends to play its part to the full in this effort in favour of improvement.
