

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0138/2000

25 May 2000

REPORT

on the Commission's 10th Annual Report on the Structural Funds, 1998
(COM(1999) 467 – C5-0325/1999 – 1999/2211(COS))

Committee on Regional Policy, Transport and Tourism

Rapporteur: Maurizio Turco

CONTENTS

| | Page |
|---|-------------|
| PROCEDURAL PAGE | 4 |
| MOTION FOR A RESOLUTION..... | 5 |
| EXPLANATORY STATEMENT | 12 |
| OPINION OF THE COMMITTEE ON FISHERIES | 18 |
| OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS | 20 |
| OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY..... | 27 |

PROCEDURAL PAGE

By letter of 15 October 1999, the Commission forwarded to Parliament the 10th Annual Report on the Structural Funds, 1998 (COM(1999) 467 – 1999/2211(COS)).

At the sitting of 17 December 1999 the President of Parliament announced that she had referred the report to the Committee on Regional Policy, Transport and Tourism as the committee responsible and the Committee on Fisheries and all interested committees for their opinions (C5-0325/1999).

The Committee on Regional Policy, Transport and Tourism had appointed Mr Turco rapporteur at its meeting of 24 November 1999.

It considered the Commission's 10th Annual Report and the draft report at its meetings of 22 March 2000, 18 April 2000 and 23 May 2000.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Konstantinos Hatzidakis, chairman; Emmanouil Mastorakis, Rijk van Dam and Helmuth Markov, vice-chairmen; Maurizio Turco, rapporteur; Pedro Aparicio Sánchez (for Danielle Darras), Sir Robert Atkins, Elspeth Attwooll, Emmanouil Bakopoulos, Rolf Berend, Theodorus J.J. Bouwman, Martin Callanan, Carmen Cerdeira Morterero, Luigi Cocilovo (for Philip Charles Bradbourn), Thierry Cornillet (for Francis F.M. Decourrière), Alain Esclopé, Jacqueline Foster (for Dana Rosemary Scallon), Ewa Hedkvist Petersen, Juan de Dios Izquierdo Collado, Georg Jarzembowski, Dieter-Lebrecht Koch, Brigitte Langenhagen (for Mathieu J.H. Grosch), Caroline Lucas (for Reinhold Messner), Erik Meijer, Rosa Miguélez Ramos, James Nicholson (for Sérgio Marques), Juan Ojeda Sanz, Josu Ortuondo Larrea, Karla M.H. Peijs, Wilhelm Ernst Piecyk, Samuli Pohjamo, Reinhard Rack, Carlos Ripoll i Martínez Bedoya, Marieke Sanders-ten Holte (for Paolo Costa), Gilles Savary, Brian Simpson, Dirk Sterckx, Ulrich Stockmann, Hannes Swoboda (for Günter Lüttge), Ioannis Theonas (for Alonso José Puerta), Helena Torres Marques (for Giovanni Claudio Fava), Joaquim Vairinhos, Mark Francis Watts and Jan Marinus Wiersma (for John Hume).

The opinions of the Committee on Fisheries, the Committee on Employment and Social Affairs and the Committee on Industry, External Trade, Research and Energy are attached.

The report was tabled on 25 May 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission's 10th Annual Report on the Structural Funds, 1998 (COM(1999) 467 – C5-0325/1999 – 1999/2211(COS))

The European Parliament,

- having regard to the Commission's 10th Annual Report on the Structural Funds, 1998 (COM(1999) 467 – C5-0325/1999¹),

having regard to Regulation (EEC) No 2081/1993² and in particular Article 16 thereof, and Regulation (EEC) No 2082/1993³ and in particular Article 31 thereof,

having regard to the Court of Auditors report for 1998⁴, pursuant to Article 248 of the EC Treaty, and Special Reports Nos 14-16/1998⁵ and 6/1999⁶,

having regard to the Commission's first report on economic and social cohesion⁷, pursuant to Article 159 of the EC Treaty,

having regard to the Sixth Periodic Report on the social and economic situation and development of the regions of the European Union⁸, pursuant to Article 8 of Regulation (EEC) No 2083/1993 relating to the European Regional Development Fund⁹,

having regard to its resolution of 5 September 1996¹⁰ on the Communication from the Commission to the Council and the European Parliament concerning a European strategy for encouraging local development and employment initiatives,

having regard to the Commission document on the development of domiciliary services in Europe (an experts' report drawn up by the Commission's DG V and DG XXIII in October 1994) and the Commission document entitled 'Local development and employment initiatives (an investigation in the European Union)' (SEC(1995) 564, March 1995),

having regard to Rule 47(1) of its Rules of Procedure,

¹ OJ C , not yet published.

² OJ L 193, 31.7.1993, p. 5.

³ OJ L 193, 31.7.1993, p. 20.

⁴ OJ C 349, 3.12.1999, p. 1.

⁵ OJ C 368, 27.11.1998 and OJ C 347, 16.11.1998, pp. 1 and 48.

⁶ OJ C 68, 9.3.2000, pp. 2 and 3.

⁷ OJ C , not yet published.

⁸ OJ C, not yet published.

⁹ OJ L 193, 31.7.1993, p. 34.

¹⁰ OJ C 277, 23.9.1996, pp. 13 and 45

having regard to the report of the Committee on Regional Policy, Transport and Tourism and the opinions of the Committee on Fisheries, the Committee on Employment and Social Affairs and the Committee on Industry, External Trade, Research and Energy (A5-0138/2000),

- A. whereas the 10th Annual Report of the Structural Funds considered in this report describes how the Structural Funds regulations were implemented in 1998, with a particular focus on the implementation of Structural Funds activities relating to Objectives 1 to 6,
- B. whereas 1998 was the fourth, and thus penultimate, year of full Structural Funds activities for the 1994-99 programming period,
- C. whereas one of the main features of 1998 was the continuation of the process, begun in 1997, of making good the delays in executing appropriations which occurred at the beginning of the period,
- D. whereas implementation of the Community Initiatives was not satisfactory, and whereas it was therefore necessary to reallocate appropriations,
- E. whereas the purpose of the Funds is to strengthen economic and social cohesion within the European Union,
- F. whereas coordinating European regional policy with other Community policies and coordinating Structural Funds measures with other EU financial instruments are of fundamental importance,
- G. whereas additionality, as one of the main principles of the Structural Funds, must be complied with by the Member States if cohesion policy not to be weakened,
- H. whereas, pursuant to Article 274 of the Treaty, the Commission is responsible for ensuring that the day-to-day management of the programmes entrusted to the Member States is adequate, and whereas the Member States are required to cooperate with the Commission to ensure that appropriations are used in accordance with the principles of sound financial management,
- I. whereas, pursuant to Article 280, it is the responsibility of the Member States to combat fraud committed against the Community budget using the same measures as those that they take to protect their national financial interests,
- J. whereas the Court of Auditors, in its Annual Report for 1998¹¹ and in its Special Reports Nos 14-16/1998¹², pointed to serious and sometimes persistent shortcomings in the Commission's and the Member States' management and control systems,

¹¹ OJ C 349, 3.12.1999, p. 1.

¹² OJ C 368, 27.11.1998, p. 1 and OJ C 347, 16.11.1998, pp. 1 and 48.

- K. whereas the number of cases of irregularities or fraud notified by the Member States to the Commission, pursuant to Regulation (EC) No 1681/94, shows an increase over previous years,
- L. whereas the sound and efficient implementation of the Structural Funds, guaranteed by appropriate evaluation and monitoring systems, is of fundamental importance for the credibility and effectiveness of the Community institutions,
- M. whereas sustained efforts are needed at every stage of drawing up and implementing programmes so as to make partnership a reality, particularly by increasing the involvement of local authorities in Structural Funds activities,
- N. whereas, in the 1994-1999 structural operations planning period, aid intended for local development within state programmes represented 10% of total Structural Fund resources, and whereas, furthermore, the value of the Community Initiatives and innovative actions did not exceed 15%,

Implementation

1. Notes that in 1998 there was a full take-up of Structural Funds appropriations; notes that the catching-up process started in 1997 resulted in a better use of the resources provided for the 1994-99 programming period; points out, however, that over and above this overall picture there are still considerable divergences in implementation between Objectives, between the Member States and between regions;
2. Is satisfied with the Structural Fund implementation rates in 1998, but notes that substantial efforts are still required, especially in the area of Community Initiatives, to commit all resources by the end of the programming period;
3. Points out that the full take-up of the Structural Funds in 1998 was possible only as a result of a mechanism for offsetting under-implementation and over-implementation, such as the transfer of substantial resources from Objective 2 to Objective 1; stresses that such mechanisms make implementation of the budget complex and non-transparent; considers, however, that the implementation rate for a given year's appropriations is not the best indicator of the quality and effectiveness of financial management;
4. Points out that in 1998 there were again not enough payment appropriations to satisfy all applications for payment; calls on the Commission and the Member States, therefore, to accelerate the current programming so that a balanced outflow of resources over time during the period 2000-2006 may be ensured; also urges the Commission to take this into account in preparing the European Union's budget;
5. Points out that, in the penultimate year of the preceding programming period, coordination and strategic convergence between Objectives were still inadequate and therefore calls on the Commission to ensure that this is not the case when new programmes and plans are implemented;
6. Points out that, following the Commission decision of 16 December 1998 (which enabled

resources which had become available to be redistributed), the implementation of the Community Initiatives, innovative measures and technical assistance under the various funds improved substantially in 1998;

7. Calls on the Commission and the Member States to take the necessary steps to avoid a sluggish flow of resources in the initial stages of Structural Fund implementation and thus to ensure that, in the 2000-2006 period, the programme is implemented evenly in each individual year;
8. Hopes, in view of the substantial divergences between the initial allocations entered in the budget and budget implementation in connection with structural measures, that the new rules for the next programming period will make it possible to ensure transparent financial management and avoid liquidity bottlenecks;
9. Points out that the report unfortunately does not contain any indication regarding the average duration of the procedure for the consideration of funding applications by the Commission; considers it unacceptable that, in certain cases relating in particular to the Community Initiatives, the consideration of such applications has taken over a year;
10. Notes once again that the total number of programmes (over 1500 in 1998, including programmes dating back to before 1994 which have not yet been concluded) which are run by the Commission is too high for them to be properly implemented and monitored effectively; welcomes, therefore, the fact that the principles laid down in Agenda 2000 and confirmed in the new general regulation governing the Structural Funds include a reduction in the number of priority objectives and Community Initiatives and in the number of related programmes and implementing documents;

Coordination with other Community policies

11. Stresses that, pursuant to Article 7 of the framework regulation concerning the Structural Funds, co-financed measures must comply with the provisions of the Treaties, with secondary legislation and with Community policies; notes with concern that in 1998 many operations were financed in circumstances which did not comply, in particular, with the rules and procedures relating to protection of the environment, the management of State aids or the award of public contracts;
12. Notes with regret that women, older workers and population groups at risk of social exclusion have hitherto tended to be neglected in the context of the European Social Fund and therefore calls on the Commission to ensure thematic balance of the assistance provided during the current programming negotiations;
13. Points out also that in 1998 there was only a weak link between the Structural Fund guidelines and employment guidelines and between these and NAPs launched during the year; considers therefore that there must be a clear and effective link between ESF and other structural fund measures and NAPs in the new programming period;
14. Calls on the Commission, given the importance of the territorial pacts, to ensure that the European Parliament is fully informed about the state and assessment of such pacts,

especially for employment purposes, and the use of appropriations by the wide range of operators concerned, and to draw up quantitative and qualitative indicators of the results achieved;

15. Calls on the Commission to ensure that, in accordance with its statement of 16 March 2000 on the application of structural measures and the establishment of the Nature 2000 Biodiversity Network, regional development initiatives provide for the protection of sites which are listed as being, or which are considered to be, of Community importance;
16. Urges the Commission and the Member States to coordinate Structural Fund policy more closely with the Cohesion Fund and to coordinate other regional development instruments in areas with lower per capita income with employment policies, transport policy, civic instruction, equal opportunities and the protection of diversity, the environment and the information economy; urges the Commission and the Member States to promote, where possible, the integration of initiatives in urban and rural areas, particularly in regions with a lower per capita income;
17. Notes the wish expressed by the Commission to improve coordination between the Structural Funds and, in particular, the trans-European networks and the EDSP; considers, in this connection, that the prime objective of this improved coordination should be to reduce the structural gaps between the central part of the Union and the peripheral and outlying regions;
18. Hopes that, in order to sustain growth, structural actions will continue to become more effective and to have greater impact in terms of job creation, particularly in the regions most affected by unemployment;

Coordination with other financial instruments

19. Points out that the progress which was hoped for regarding coordination with the Cohesion Fund and with the programmes for financing trans-European networks, in particular, in connection with large-scale projects, has not come about; in this connection, calls on the Commission and the Member States' national and regional administrative authorities which are involved in implementing EU projects and monitoring the proper use of European and national co-financed resources to provide the necessary coordination of the various EU projects at local and regional level;

Additionality

20. Calls on the Commission, in view of the persistent problems with verification of compliance with additionality, to find instruments for improving such verification and to assess additionality more comprehensively in its Annual Reports; urges the Member States to ensure that the additionality principle is strictly upheld and to cooperate with the Commission so as to ensure greater transparency in applying this fundamental principle;
21. Calls, furthermore, on the Commission to provide Parliament as soon as possible with the details of the checks on full compliance with the additionality principle and on the

programmes submitted by the Member States for the 2000-2006 period, and also to supply the list of the punitive measures which it intends to impose in cases where statutory requirements have not been met;

Partnership

22. Takes the view that the principle of partnership with local and regional authorities and with the two sides of industry and of the environment makes a contribution towards rooting structural policies in a broad social consensus;
23. Considers it essential, however, if the multiplicity of forms of partnership and partnership structures is to be prevented from creating increased administrative complexity and if the opportunities for administrative checks by the Commission and for parliamentary control by the European Parliament are not to be compromised, for management decentralisation to be accompanied by a clarification of the responsibilities and roles of the various partners in the different stages of the programming process, and by a clear distinction between the functions and responsibilities of the Commission and of the Member States;
24. Considers, furthermore, that an objective assessment of the representativity of the non-institutional players in the partnership is needed, in order to ensure more effective local action by the Structural Funds;

Evaluation and control

25. Notes with regret that many evaluations are submitted late and do not provide reliable information about the implementation of structural measures at Community, national and regional level; regrets, furthermore, that the results of interim evaluations are frequently not comparable, quantifiable and usable because unsuitable and inadequate indicators have been employed;
26. Stresses the need for a better methodological framework, for objective criteria and for reliable information on monitoring and on the data-gathering process with a view to applying evaluation methods which are more suitable for assessing the results of programmes;
27. Notes a fall in the number of on-the-spot checks carried out by the Member States and the Commission pursuant to Article 23 of Regulation (EEC) No 4253/88, concerning ERDF, ESF and EAGGF - Guidance Section programmes by comparison with the previous year; points out that such checks, even though insufficient, have brought to light, inter alia, a failure to comply with the statutory provisions relating to the publicising of initiatives, an insufficient number or a complete lack of schemes for monitoring co-financed interventions, a lack of transparency in the programme selection criteria, a failure to comply with Community rules relating to public contracts, the co-financing of non-admissible expenditure, etc;
28. Considers, therefore, despite the initiatives adopted by the Commission in 1997, that its checks in 1998 are not entirely unsatisfactory as a means of ensuring the proper

implementation of the Structural Funds regulations in the Member States, and of not undermining the European Union's credibility regarding social and economic cohesion policy and financial control over European budgetary resources in particular;

29. Calls on the Commission, therefore, to strengthen controls over the implementation of programmes by means of considerably more on-the-spot checks and to make every effort to lay down objective criteria for assessing their effectiveness and quality; asks for the European Parliament, as a body exercising control, to be informed of all cases of irregularities and for the Commission to forward more detailed and transparent reports on the results of its checks and evaluations; calls on the Member States to produce an annual report on the performance of checks on the use of EU resources; calls, furthermore, on the Commission to ensure that its annual report includes a section in which it reports on the measures which it has adopted in response to the criticisms expressed by Parliament in previous years;
30. Calls on the Commission to forward to the European Parliament more detailed information on the deficiencies identified during the audits and to submit a list of measures designed to increase openness and transparency in the use of appropriations and thus reduce opportunities for the misuse of appropriations from the Structural Funds;

Measures to promote local development

31. Stresses the strategic importance of local development and employment initiatives as a means of exploiting local development potential and human resources, notes their contribution to regional development and stresses that the task of Structural Funds is to ensure a high degree of development at regional level;
32. Instructs its President to forward this resolution to the Council, the Commission and the Member States.

EXPLANATORY STATEMENT

Introduction

The Sixth Periodic Report on the social and economic situation and development of the regions of the European Union, which was adopted by the Commission in February 1999, documented the process of catching up by the poorest regions and Member States. For instance, GDP per head in the 10 regions where this was lowest increased from 41% to 50% of the EU average between 1986 and 1996, while in the 25 poorest regions it rose from 52% to 59%. Over those ten years, GDP per head in the four poorest Member States went up from 65% of the Community average to 74%. Support from the Structural Funds has demonstrably had a major influence on GDP per head. The 25 richest regions, however, still have an average GDP per head which is 2½ times higher than that in the poorest regions, and this situation has not changed over the course of time. The gap between the Member States in terms of GDP per head has shrunk, but the differences between the regions are still there, not only with regard to GDP per head, but also, and particularly, in terms of unemployment. This continues to be the greatest economic challenge for the Member States in the years ahead.

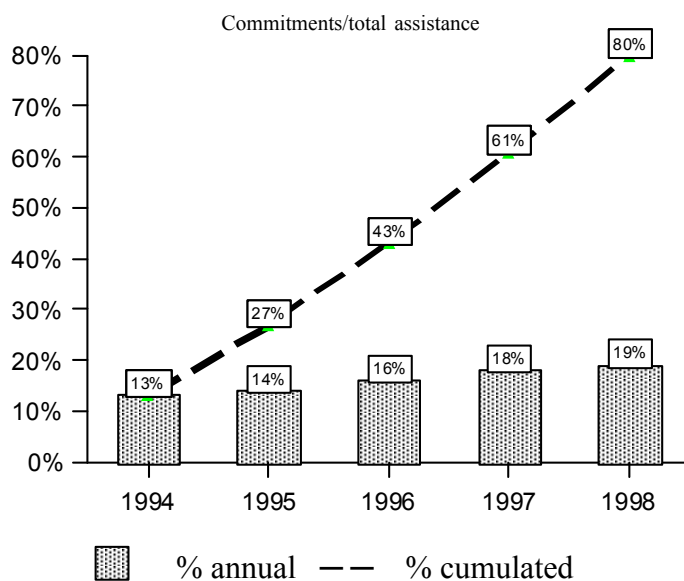
The 10th Annual Report of the Structural Funds describes the implementation of the Structural Funds regulations in 1998. The Annual Report not only complies with the requirements of the relevant regulations, but in recent years has also dealt with a horizontal theme featuring throughout the report; in this report, on 1998, the theme is measures to promote local development.

On 18 March 1998, as a result of the strategic Agenda 2000 document, the Commission submitted the legislative proposals for the Structural Funds regulations for the new 2000-06 programming period. The proposals reflected the points emphasised in Agenda 2000: reduction in the number of Objectives and Community Initiatives, concentration, and simplification of programming, administration and financial management. The European Parliament managed to secure the adoption of its position in many areas, including the reduction in the performance reserve and the retention of the URBAN Community Initiative. The regulations were adopted by the Council in June 1999, following a year of negotiations.

Further major aspects of 1998 were the reallocation of appropriations for the Community Initiatives called for by Parliament, the work finalising the European Spatial Development Perspective (ESDP) and the presentation of a framework for action for sustainable urban development in the European Union.

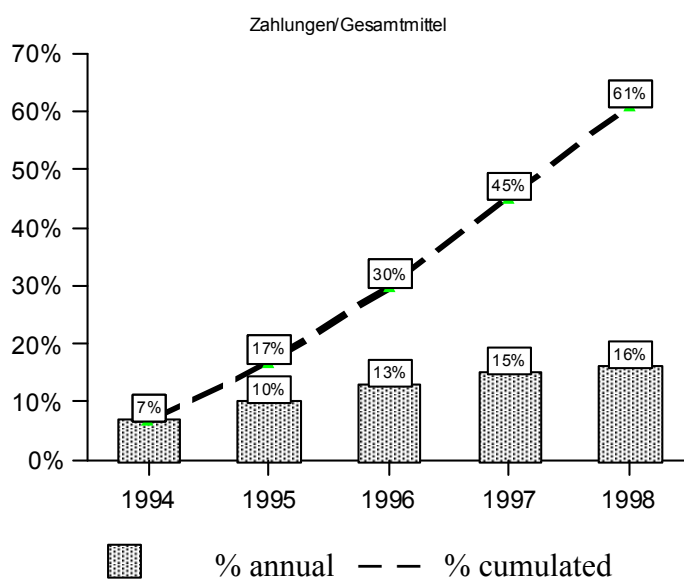
The number of programmes

1998 was marked by the consolidation of programming. Only 25 new assistance packages were approved for all Objectives, and 29 under the Community Initiatives; together, these only accounted for between 1% and 2% of the total spending for 1994-99. Following the



substantial catching-up process in 1997, the delays which had occurred owing to the late approval of many programmes were further reduced in 1998, as well. By the end of 1998 the number of programmes was 1104, of which 605 came under the various Objectives and 499 under the Community Initiatives. Counting the programmes dating from before 1994 which had not yet been completed, the total number of programmes being run by the Commission was more than 1500, a situation which was not an improvement over 1997, and which engenders problems regarding

efficient administration and the proper completion of programmes in accordance with the regulations.



The reduced number of programmes under the new Structural Funds regulations will make administration and control by the Commission's departments easier, but the completion of programmes currently running will nonetheless take many years.

Implementation of the budget

In 1994 and 1995 there was clearly an inadequate take-up of both commitment appropriations and payment appropriations. In 1996 and 1997, by contrast, the

implementation rate for the ERDF and the ESF, in particular, was nearly 100%. These implementation rates continued for all the Funds in 1998, with only the FIGG achieving a rate of only 97%. The implementation rate for the Structural Funds overall is thus moving in the right direction where both the Objectives programmes and Community Initiatives programmes are concerned.

By the end of 1998 commitments had risen to 80% of total assistance and payments to 61%. Even so, there were considerable differences between types of intervention and between Member States. At the end of 1998 72% of the total appropriations available for

13 Community Initiatives for the 1994-99 period was committed and 45% had been disbursed.

The implementation rate for the programmes in 1998 was satisfactory overall. However, the great discrepancy between the initial allocations entered in the budget and the ultimate implementation of the budget remains a problem. This is particularly apparent where the implementation of Objective 2 is concerned: as a result of a transfer of payment appropriations from Objective 2 to Objective 1 of EUR 1258 million, a 100% implementation rate was achieved, purely arithmetically. This practice, which is probably unavoidable owing to the type of financial management in the 1994-99 programming period, ultimately leads to highly complex and thus non-transparent implementation of the budget. In addition, as in 1997 the payment projections were too low, so that the Commission was unable to meet applications for payments amounting to around EUR 1000 m, owing to a shortfall of payment appropriations, especially with regard to the ESF and the ERDF. The innovations in the system of financial administration (automatic commitment of appropriations and time-limited payments on the basis of expenditure actually incurred) should, in this connection, bring about considerably more transparent financial management by the Commission.

Coordination with other financial instruments and compatibility with other policies

According to Article 7 of the framework regulation concerning the Structural Funds, measures financed by the Structural Funds, the EIB or other financial instruments must be in conformity with the provisions of the Treaties, notably with regard to the rules on competition and the award of public contracts. According to Articles 1 to 3 of the coordination regulation the Commission has to ensure coordination and consistency between the Structural Funds and support by other financial instruments. Measures implemented under the Structural Funds must be compatible with the other policies of the European Union.

In overall terms, it has to be said that where both coordination with other financial instruments (Cohesion Fund, European Investment Bank, European Investment Fund, EEA financing mechanism and TEN Community funding) and compatibility with other Community policies are concerned, no major progress can be discerned. This is attributable to several factors. First, the main responsibility for implementing structural policy lies with the Member States, where the administration of Structural Funds activities (not unlike what happens at European level) is fragmented among different administrative bodies. The complexity of the system of European regional policy until the end of 1999 resulted in some areas coming under several Objectives and European assistance often coming from several Funds, so that responsibilities were spread so widely that coordinating the Structural Funds with each other and with national financial instruments was a challenge in itself. This heavy administrative burden meant that there was too little scope for coordination activities going beyond the Structural Funds themselves.

Although efforts have been made within the Commission to ensure coordination with other financial instruments, given the multiplicity of programmes and projects such coordination can only have an impact on larger-scale measures. In this system, successful coordination with other financial instruments and compatibility with the goals of other Community policies therefore ultimately depend on the capacity and commitment of the local programme administrators. To make this task easier there was therefore an urgent need to simplify

administration, in tandem with a reduction in the number of Objectives and Initiatives. The reform of structural policy in the context of Agenda 2000 constitutes a major step in this direction.

Additionality

The Structural Funds appropriations allocated to the individual Objectives in each Member State may not replace public or similar structural expenditure by the Member States in the entire region which comes under the same Objective. For each Objective, and in all the regions concerned, the Member States must maintain their structural expenditure at least at the same level as during the previous programming period. Additionality is a central principle of Structural Funds operations, and should continue to be the most important guarantee of Community structural policy adding value to national regional policies. It is therefore important for the Commission to be able to monitor compliance with this principle.

It has to be stated that there were considerable problems with monitoring compliance with this principle in the period under review. The terse comments in the report only hint at these difficulties. Consequently, it is absolutely essential to adopt clear, comprehensive rules which will make it possible to verify, accurately and rigorously, compliance with the principle of additionality.

Partnership

Since 1994 the Commission has made great efforts regarding the management of the Structural Funds.

This partnership in administering the programmes is functioning relatively smoothly where regional authorities are concerned. The situation is much less satisfactory where other partners are concerned, particularly at local level and with economic partners and the two sides of industry. This state of affairs is also connected with the frequently weak position of the monitoring committees in the organisational structure.

The Committee on Regional Policy, Transport and Tourism has repeatedly pointed out that information and publicity measures are the key both to fruitful partnership and to successful project development, and hence to efficient implementation of the Structural Funds. In the new programming period it will therefore be necessary to make more use of the opportunities provided by modern information technology. A positive example of this at European level is the Commission's inforegio website.

Evaluation and control

Evaluation is an instrument which is vital for sound administration of the Structural Funds, because it enables the goals pursued to be compared with results. Evaluations in 1998 produced both results on the individual programmes and Objectives coming under Structural Funds measures and results on thematic issues, providing data for a critical evaluation of four

of the areas covered by the Structural Funds (SMEs, R&TD, the environment and equal opportunities in ESF operations). The results of the mid-term evaluations of the individual Objectives vary widely: many of the evaluation reports are not satisfactory, and only a few satisfy the picture of a comprehensive assessment capable of providing suggestions for improved targeting and focusing.

Control over Structural Funds measures is primarily the responsibility of the Member States. The Commission nonetheless plays an important part, in the first place because scrutiny of European budgetary resources is concerned and the Commission is politically accountable for the expenditure, and secondly because experience shows that national checks do not always have the desired results where European budgetary resources are concerned. It is therefore extremely problematical that the number of Commission checks in 1998 in all areas was far below the number carried out in 1997 (see table). According to the Commission, where the ERDF was concerned, no fewer than 14 checks had to be cancelled owing to lack of staff; this is ultimately to the detriment of the aims of structural policy and the credibility of the European Union. Let us hope that the internal reforms proposed by Romano Prodi, President of the Commission, will not mean that the departments responsible for the Community institutions' monitoring of the implementation of Community policies are penalised.

Number of checks carried out by the Commission

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|----------------------|------|------|------|------|------|
| ERDF | 24 | 20 | 26 | 43 | 22 |
| ESF | 69 | 73 | 84 | 86 | 65 |
| EAGGF-Guidance | 21 | 35 | 26 | 28 | 13 |
| Financial Control | 74 | 86 | 75 | 62 | 48 |
| UCLAF investigations | | 112 | 88 | 58 | 40 |

It is precisely this area of financial control, however, which will need to be paid more attention in future. The Agenda 2000 reform has brought with it a greater decentralisation of regional policy, but your rapporteur considers that this must be accompanied by an enhanced level of checking carried out by the Commission. The Committee on Regional Policy, Transport and Tourism will undoubtedly keep a close eye on this aspect.

Measures to promote local development

The theme of the 1998 report is local development, a concept that the Commission rightly attempts to circumscribe with the terms geography, endogenous, integrated, bottom-up, partnership and sustainable. An estimated 10% of Structural Funds activities probably qualify as local development schemes, which is a substantial proportion if it is borne in mind that local development schemes are mostly small projects. Such projects are important, since they

are ultimately at the heart of a regional policy which develops local and sub-regional potential and springs from the sub-regional level. Your rapporteur does not consider, however, that additional resources need to be channelled into small-scale projects, because what must be avoided is a return to policies of spraying subsidies around, where too much fragmentation limits the impact of aid on individual firms.

OPINION OF THE COMMITTEE ON FISHERIES

for the Committee on Regional Policy, Transport and Tourism

on the Commission's 10th Annual Report on the Structural Funds (1998)
(COM(1999) 467 – C5-0325/1999 – 1999/2211(COS)) (report by Maurizio Turco))

Letter from the committee chairman to Konstantinos Hatzidakis, chairman of the Committee on Regional Policy, Transport and Tourism

Brussels, 28 March 2000

Dear Mr. Hatzidakis,

The Committee on Fisheries considered the above subject at its meetings of 26 January, 21 February and 22 March 2000.

At the latter meeting it unanimously approved the following opinion in letter form.

This tenth annual report by the Commission on the structural funds for the year 1998 covers the activities, in respect of the fisheries sector, of the Financial Instrument for Fisheries Guidance (FIFG) and the Community Initiative PESCA, which together account for around 2% of Community structural funding.

The theme of the report is “ local development ”, which, based on the principle of partnership, involves all the structural funds in a *bottom-up* approach to restructuring at a local level.

The report also covers the negotiations on the new Structural funds and the proposals contained in Agenda 2000. We will recall that, for reasons of efficiency and simplification, the existing seven Objectives were reduced to three:

- X Objective 1, for the development and structural adjustment of regions whose development is lagging behind;
- X Objective 2, for the conversion of industrial and rural areas or areas dependent on fishing which are facing structural difficulties; and
- X Objective 3, to assist the adaptation and modernisation of sectors through the promotion of training and employment.

As far as fisheries are concerned, this proposal did little to change the situation of Objective 1 regions, since although some of them are no longer covered by this Objective because they have achieved higher levels of income, provision was made for a transitional period of six years, with the result that the situation will remain much the same as at present.

However, the percentage of the current Union's population covered by Objectives 1 and 2 will be reduced from 51% to 35 - 40% with the result that several fisheries areas would no longer

have been included. The Commission proposed therefore that the FIFG should be able to support restructuring on any part of the Union's coastline from category 1 of the financial perspective (EAGGF guarantee).

It will be remembered that during these discussions, our Committee disagreed with this approach and successfully called for a horizontal regulation providing a single legal framework for structural measures in the fisheries sector.

With regard to FIFG activities in 1998, Objective 1 Regions saw a general increase in implementation during the year with over 80% committed and 60% paid. However, for Objective 5a (Fisheries) no overall upturn was evident, although there were marked disparities between the Member States. In terms of the Commission's theme of local development, the activities of the FIFG are almost by definition "local". Similarly the PESCA initiative, which was designed to support the development of coastal regions, supported projects designed and managed at local level. In this latter case, there was however an improvement in implementation compared to the poor showing in 1997.

The Committee on Fisheries believes that it is difficult to get a clear view of structural operations in the fisheries sector from the current Commission report and is disappointed that its calls for improvements, made in relation to previous reports, have gone unheeded.

Our Committee would therefore repeat its request for an annual update of the internal DG XIV document "Structural Policy to Assist Fisheries and Aquaculture" (XIV/464/95) so that a comprehensive, up to date and clearly presented overview of fisheries structures can be made available.

This remains the position of our Committee ¹³.

Yours sincerely,

Daniel Varela Suanzes-Carpegna

¹³The following were present: Daniel Varela Suanzes Carpegna, chairman and draftsman; Rosa Miguélez Ramos, vice-chairman; Carlos Bautista Ojeda (pursuant to rule 166(3)), Niels Busk, Carmen Fraga Estévez, Pat the Cope Gallagher, Ian Stewart Hudghton, Salvador Jové Peres (for Mihail Papayannakis), Heinz Kindermann, Giorgio Lisi (for Cunha), John Joseph McCartin (for Brigitte Langenhagen), Patricia McKenna, Neil Parish (pursuant to rule 166(3)), Dominique F.C. Souchet (for Nello Musumeci) and Struan Stevenson (for Hugues Martin pursuant to Rule 153(2)).

28 March 2000

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Regional Policy, Transport and Tourism

on the Commission's 10th Annual Report on the Structural Funds (1998)
(COM(1999) 467 – C5-0325/1999 – 1999/2111(COS))

Draftsman: Mauro Nobile

PROCEDURE

The Committee on Employment and Social Affairs appointed Mauro Nobile draftsman at its meeting of 1 February 2000.

It considered the draft opinion at its meetings of 20 and 28 March 2000.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Michel Rocard, chairman; Marie-Thérèse Hermange and José Ribeiro e Castro, vice-chairmen; Mauro Nobile, draftsman; Jan Andersson, María Antonia Avilés Perea, Andre Brie (for Sylviane H. Ainardi), Hans Udo Bullmann (for Harald Ettl), Ieke van den Burg, Chantal Cauquil (for Arlette Laguiller), Alejandro Cercas Alonso, Luigi Cocilovo, Elisa Maria Damião, Proinsias De Rossa, Carlo Fatuzzo, Ilda Figueiredo, Hélène Flautre, Fiorella Ghilardotti, Marie-Hélène Gillig, Anne-Karin Glase, Roger Helmer (for Philip Rodway Bushill-Matthews), Ian Stewart Hudghton, Stephen Hughes, Anne Elisabet Jensen (for Luciana Sbarbati), Karin Jöns, Jean Lambert, Elizabeth Lynne, Thomas Mann, Riitta Myller (for Ioannis Koukiadis), Manuel Pérez Álvarez, Fernando Reis, Herman Schmid, Helle Thorning-Schmidt, Anne E.M. Van Lancker and Barbara Weiler.

SHORT JUSTIFICATION

I. Introduction

1998 was the penultimate year of the 1994-1999 Structural Fund programming period. The launching of the programming period was subject to major delays due, on the one hand, to the belated adoption of the regulations concerned and, on the other hand, to poor administrative structures in the Member States.

In the Structural Fund sphere the amounts shown in the Financial Perspective represent not only the 'ceiling on expenditure' but also 'target expenditure'. The annual report therefore seeks to establish the extent to which the backlog has been made up so as to prevent resources from being completely lost.

II. Programming and financial execution

2.1 State of programming

Although 25 new Structural Fund interventions were approved by the Commission in 1998, programme planning on the whole has probably been completed. The number of programmes is impressive: there are a total of 1104 interventions, which fall into two categories: first, programmes forming part of the 'Community Support Frameworks' (CSFs), i.e. programmes for the achievement for the seven 'Structural Fund Objectives' and, second, programmes governed by the 14 'Community Initiatives' (CIs), which assist – on a much smaller scale – innovative (and usually transnational) problem-solving approaches.

2.2 Implementation of the 1998 budget

The process of catching up in the utilisation of Structural Fund resources continued at a faster pace in 1998. Where the main interventions (CSF implementation) were concerned, the available resources of all the Structural Funds, including the ESF, were completely utilised as regards both commitment appropriations (CAs)¹⁴ and payment appropriations (PAs)¹⁵. In the case of Community Initiatives, on the other hand, only 93% of the available resources were committed or disbursed. In 1998 a total of EUR 8733.46m in CAs and EUR 8326.13m in PAs were available for the ESF and were fully utilised. Happily, the resources earmarked for the two CIs ADAPT and EMPLOI were also fully committed.

There are nonetheless a number of criticisms:

- According to the Commission, commitments from the ESF CSFs of EUR 267.83m were cancelled.

¹⁴ The future payment obligations justified by the Commission within the framework of project approvals.

¹⁵ Payments actually due during the period under review.

- Despite the 100% absorption of payment appropriations, there is unfortunately a problem: as there was an acute shortage of financial resources in 1998 – as in 1997 – over 10% of the payment applications for 1998 could not be met until the beginning of 1999.
- Because of underutilisation, EUR 129m was transferred from the CIs to the ERDF. The ESF, however, did not benefit from this diversion of resources.
- Within the CIs the resources were also redistributed to the disadvantage of the two CIs EMPLOI and ADAPT: EUR 2.9m was taken from these two CIs to increase the commitment to PEACE.

2.3 Multiannual view

A distinction needs to be made between CSFs and CIs: while it was possible to commit 80% of resources under the CSFs, the equivalent figure in the case of the CIs was only 72%. The situation is similar in the ESF sphere. In respect of the Structural Fund objectives, which are mainly financed from other Structural Funds (ERDF, EAGGF and FIFG) and to which the ESF makes no more than a contribution, there is no breakdown in the Commission document; only the main ESF interventions are therefore considered here:

- At 84% of CAs and 65% of PAs, the implementation rate for Objective 3 is the best of all Structural Fund objectives.
- At 68% of CAs and only 47% of PAs, the implementation rate for Objective 4, on the other hand, is the worst of all Structural Fund objectives. The Commission attributes the backlog to the belated launching of interventions in the United Kingdom¹⁶ and to major delays in France and Italy. According to the Commission, no commitments at all were made in Italy in 1998, and only 3% of the resources was disbursed!
- While the Community Employment Initiative achieves above-average results (70% of CAs, 47% of PAs), the figures for ADAPT (63% of CAs, 39% of PAs) are less than optimum. The poor implementation rate is due both to the hesitant beginning of the CI (owing to its innovative nature) and to the difficulties encountered in transnational cooperation among enterprises.

The implementation rate also varies widely among Structural Fund interventions, Member States and regions. The following table provides an overview of the programmes which have not yet achieved the (arbitrarily set) implementation rate of 75%, the aim being to make it easier for interested Members to investigate any problems in their own country. This prompts two comments:

- Not all the Member States start from the same situation. The backlog in the Scandinavian Member States is partly due to the fact that they did not accede to the Union until the programming period had begun. Again, the United Kingdom's backlog in the case of

¹⁶ At the beginning of the programming period the United Kingdom had announced its intention of not participating in Objective 4.

Objective 4 is due to its belated decision to participate in this intervention.

- Greece, Ireland and Portugal have no Objective 3/Objective 4 programmes since the whole of their territory comes under Objective 1. The promotion of human resources forms part of Objective 1 assistance in these cases. The Commission is particularly concerned about the trend in Greece: it maintains that the human resources programmes have the lowest implementation rate of all 15 Member States!

| Country | Objective 3 | Objective 4 | Employment | ADAPT |
|--|-------------------|-------------|------------|-------|
| Belgium <i>Wallonia</i> | | 36% | | |
| Germany <i>Bavaria</i> <i>NR-Westphalia</i> <i>Rhineland-Palatinate</i> | 64% 68% 62% | 70% | | 48% |
| Spain <i>Madrid</i> | 74% | | 67% | 74% |
| France | | | 66% | 68% |
| Ireland | | | 72% | |
| Italy <i>Marches</i> <i>Tuscany</i> Aosta Valley | 64% 64% 72% | | 64% | 64% |
| Luxembourg | | 39% | | |
| Netherlands | | | 71% | 64% |
| Portugal | | | 50% | |
| Finland | 73% | 70% | | |
| Sweden | 74% | 72% | | |
| United Kingdom | | 45% | 68% | 59% |

III. Financial control

The inspections carried out by the Commission's services mainly brought the following deficiencies to light:

- failure to comply with the regulatory requirements on publicising measures;
- audit trail deficiencies;
- too few or no inspections of part-financed measures;
- lack of transparency of programme selection criteria;
- failure to comply with the deadlines laid down for transferring advances and payments to beneficiaries;
- doubts about the eligibility of some expenditure (especially overheads).

By and large, these deficiencies are the same as those referred to by the Court of Auditors in its annual report. The Commission's report, however, remains unsatisfactorily vague in this context. It does not have a word to say about the consequences of the deficiencies identified:

- No evaluation is made either of the seriousness of the deficiencies or of their financial implications.
- No measures of any kind are announced for the prevention of deficiencies.

In these circumstances it is very difficult to avoid the impression that an attempt is being made to play down the deficiencies identified. It is also remarkable that, compared to previous years, the annual report provides very little information on investigations in cases of fraud. In view of the amounts mentioned in connection with such investigations (almost EUR 43m for all the Structural Funds combined) a more accurate analysis should be undertaken.

IV. Interim evaluation of the contents

For the mid-term ESF evaluation concluded in 1998 a total of 115 reports were drawn up. The main conclusions largely tally with those reached in previous reports:

Criticism is levelled in particular at the complex and yet often imprecise programming and the cumbersome nature of the financing and administrative procedures. On the other hand, the strengthening of the partnership concept and the efforts made to develop integrated approaches to combating unemployment are welcomed.

Most of the recommendations have found their way into the new generation of Structural Fund regulations. However, this is no guarantee that remaining deficiencies will be solved: the evaluators are particularly critical of weaknesses in thematic orientation. As in 1997, they identify a significant number of measures for combating youth unemployment, whereas there is a tendency for not enough to be done for older workers, groups at risk of social exclusion and women.

V. Central theme for the year (common to all four Funds): local development

The central theme of the 1998 annual report of the Structural Funds is local development in the context of Structural Funds programmes and the improvement of the employment situation. The Commission's report does not quantify the proportion of local-development schemes included on a long-term basis in the programmes, although the assessors consider that they account for about 10% of overall assistance from the Funds.

The intention here is not so much to consider other issues relating to the central theme as to highlight a number of innovative schemes.

The Commission refers to the implementation since 1997 of 89 territorial pacts on an experimental basis, intended as a means of promoting concerted action and coordination of structural operations and of ensuring that the principle of local-development partnerships is

properly applied.

They were prepared using Community technical assistance totalling EUR 200 000 per pact. EUR 1 609 million was directed, including EUR 481 million from the four Community Funds. However, the Commission considers it still too soon to estimate precisely the total impact on employment of the 89 pacts. It merely points out that the quantified targets include the direct creation of 55 000 jobs and 'targeted' training measures.

CONCLUSIONS

The Committee on Employment and Social Affairs calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following points in the motion for a resolution that it adopts:

1. Is satisfied with the Structural Fund implementation rates in 1998, but notes that substantial efforts are still required, especially in the area of Community Initiatives, to commit all resources by the end of the programming period;
2. Points out that in 1998 there were again not enough payment appropriations to satisfy all applications for payment; calls on the Commission and the Member States, therefore, to accelerate the current programming so that a balanced outflow of resources over time during the period 2000-2006 may be ensured; also urges the Commission to take this into account in preparing the European Union's budget;
3. Notes with regret that women, older workers and population groups at risk of social exclusion have hitherto tended to be neglected in the context of the European Social Fund and therefore calls on the Commission to ensure thematic balance of the assistance provided during the current programming negotiations;
4. Points out that, in the penultimate year of the preceding programming period, coordination and strategic convergence between Objectives were still inadequate and therefore calls on the Commission to ensure that this is not the case when new programmes and plans are implemented;
5. Points out also that in 1998 there was only a weak link between the Structural Fund guidelines and employment guidelines and between these and NAPs launched during the year; considers therefore that there must be a clear and effective link between ESF and other structural fund measures and NAPs in the new programming period;
6. Calls on the Commission, given the importance of the territorial pacts, to ensure that the European Parliament is fully informed about the state and assessment of such pacts, especially for employment purposes, and the use of appropriations by the wide range of operators concerned, and to draw up quantitative and qualitative indicators of the results achieved;
7. Calls on the Commission to forward to the European Parliament more detailed information on the deficiencies identified during the audits and to submit a list of

measures designed to increase openness and transparency in the use of appropriations and thus reduce opportunities for the misuse of appropriations from the Structural Funds.

23 May 2000

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Regional Policy, Transport and Tourism

on the Commission's 10th Annual Report on the Structural Funds, 1998
(COM(1999) 467 - C5-0325/1999 - (1999/2211(COS)) (report by Maurizio Turco)

Draftsman: Colette Flesch

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Colette Flesch draftsman at its meeting of 27 January 2000.

It considered the draft opinion at its meetings of 19 April 2000 and 23 May 2000.

At the latter meeting it adopted the amendments unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Renato Brunetta, Nuala Ahern and Peter Michael Mombaur, vice-chairmen; Konstantinos Alyssandrakis, Ward Beysen (for Colette Flesch), Felipe Camisón (for Concepció Ferrer), Massimo Carraro, Gérard Caudron, Nicholas Clegg, Elisa Maria Damião (for François Zimeray), Willy C.E.H. De Clercq, Claude J.-M.J. Desama, Fiorella Ghilardotti (for Harlem Désir), Norbert Glante, Michel Hansenne, Dimitrios Koulourianos (for Robert Hue), Rolf Linkohr, Linda McAvan, Eryl Margaret McNally, Erika Mann, Marjo Tuulevi Matikainen-Kallström, Elizabeth Montfort, Angelika Niebler, Reino Kalervo Paasilinna, Yves Piétrasanta, Elly Plooij-van Gorsel, Samuli Pohjamo (for Astrid Thors), John Purvis, Godelieve Quisthoudt-Rowohl, Alexander Radwan (for Konrad K. Schwaiger), Daniela Raschhofer, Imelda Mary Read, Mechtild Rothe, Paul Rübig, Ilka Schröder, Esko Olavi Seppänen, Anna Terrón i Cusí (for Glyn Ford), Claude Turmes (for Nelly Maes), Jaime Valdivielso de Cué, Elena Valenciano Martínez-Orozco, W.G. van Velzen, Alejo Vidal-Quadras Roca, Myosini Zorba.

SHORT JUSTIFICATION

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Regional Policy, Transport and Tourism, as the committee responsible, to incorporate the following points in its motion for a resolution:

Given that 1998 is the penultimate full year of the Structural Funds' 1994-1999 programming period, the following conclusions should be borne in mind for the future:

- a) Simplification of administrative formalities to give firms easier access to projects.
- b) Better information for firms potentially interested in such projects (particularly using information technologies).
- c) Introduction of benchmarking - i.e. across-the-board comparison of projects between Member States by sector of activity.
- d) Overcoming the contradictions arising from what is largely national management of the Structural Funds and the integrated approach governing implementation of the trans-European networks in particular. In this context, networks of projects should be organised and national networks should be linked to European networks (infrastructure, firms in the new technologies, research and industrial sectors).
- e) More detailed examination of the reasons for disparities between various Member States and regions in the implementation of projects, with a view to taking greater advantage of new programmes.
- f) Improving the evaluation of the effectiveness and quality of programmes as they are implemented, with a view to making the adjustments required, particularly since the duration of the programmes has been extended to seven years.
- g) More detailed analysis of actual results in terms of the creation of permanent jobs compared with the territorial employment pacts.
- h) Ensuring consistency in all Community policies; taking into account existing and forthcoming policies in the application of the Structural Funds; in particular, avoiding contradictions between competition policy and regional policy.
- i) Eliminating the persistent failings in management and control systems for the Structural Funds on the part of the Member States and the Commission (clarifying responsibilities with regard to management, implementation and control).

- j) Making better use of the Structural Funds to create an appropriate technological platform.
- k) Stressing the financial viability aspect - regeneration, creation of new jobs, research and development.
- l) Making sure that use of the Structural Funds does not make a disproportionate call on local funding.