

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0006/2002

10 January 2002

REPORT

on the management of regional policy and structural funds
(2001/2066(INI))

Committee on Regional Policy, Transport and Tourism

Rapporteur: Samuli Pohjamo

CONTENTS

	Page
PROCEDURAL PAGE	4
MOTION FOR A RESOLUTION.....	5
EXPLANATORY STATEMENT	10

PROCEDURAL PAGE

At the sitting of 17 May 2001 the President of Parliament announced that the Committee on Regional Policy, Transport and Tourism had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on the management of regional policy and structural funds.

The Committee on Regional Policy, Transport and Tourism had appointed Samuli Pohjamo rapporteur at its meeting of 20 March 2001.

The committee considered the draft report at its meetings of 21 November 2001 and 19 December 2001.

At the latter meeting it adopted the motion for a resolution by 43 votes to 5, with 0 abstentions.

The following were present for the vote: Konstantinos Hatzidakis, chairman; Helmuth Markov, Emmanouil Mastorakis and Rijk van Dam, vice-chairmen; Samuli Pohjamo, rapporteur; and Pedro Aparicio Sánchez (for Carmen Cerdeira Morterero), Sir Robert Atkins, Emmanouil Bakopoulos, Rolf Berend, Theodorus J.J. Bouwman, Philip Charles Bradbourn, Felipe Camisón Asensio, Luigi Cocilovo (for Luigi Cesaro), Garrelt Duin, Giovanni Claudio Fava, Markus Ferber (for Jacqueline Foster), Mathieu J.H. Grosch, Ewa Hedkvist Petersen, Mary Honeyball, Juan de Dios Izquierdo Collado, Georg Jarzembowski, Elisabeth Jeggle (for Giorgio Lisi), Dieter-Lebrecht Koch, Brigitte Langenhagen (for Karla M.H. Peijs), Sérgio Marques, Linda McAvan (for John Hume), Erik Meijer, Francesco Musotto, Camilo Nogueira Román, Juan Ojeda Sanz, Josu Ortuondo Larrea, Wilhelm Ernst Piecyk, Giovanni Pittella (for Carlos Lage), Alonso José Puerta, Marieke Sanders-ten Holte, Gilles Savary, Ingo Schmitt, Elisabeth Schroedter (for Reinhold Messner), Brian Simpson, Renate Sommer, Dirk Sterckx, Ulrich Stockmann, Margie Sudre, Helena Torres Marques (for Mark Francis Watts), Ari Vatanen, Adriaan Vermeer (for Isidoro Sánchez García, pursuant to Rule 153(2)), Demetrio Volcic and Brigitte Wenzel-Perillo (for Dana Rosemary Scallon).

The report was tabled on 10 January 2002.

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 management of regional policy and structural funds (2001/2066(INI))

The European Parliament,

- having particular regard to Article 158 of the EC Treaty,
 - having regard to Rule 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Regional Policy, Transport and Tourism (A5-0006/2002),
- A. whereas the objective of the EU's structural fund measures is to strengthen economic, social and territorial cohesion and to reduce disparities between the levels of development of the various regions and to promote their sustainable development, particularly in the less favoured regions, extremely remote and island areas and rural areas,
- B. whereas national economic policies and the EU's various policy areas along with their objectives and measures should be coordinated so that they are mutually supportive and help strengthen social, economic and territorial cohesion,
- C. whereas the forthcoming enlargement is a major challenge to cohesion policy and will prompt pressure for reform in regional policy,
- D. whereas problems are also discernible with the practical implementation of the structural funds during the programming period that has just commenced and now is therefore the right time to assess the situation on the basis of experience with the former and present programming periods and to consider remedies,
- E. mindful that the central aim of the Agenda 2000 reform of the structural funds was simplification, which was also achieved in terms of the number of objective programmes and Community initiatives,
- F. whereas, following as well the improvements brought about by the Agenda 2000 reform of the structural funds, their implementation needs further enhancement and whereas such enhancement is also possible under existing legislation;
1. Considers that, in the practical implementation of the structural funds, effective and result-oriented use of appropriations, execution of projects according to timetable, optimum project quality and appropriate monitoring by the Commission and national authorities of the proper utilisation of funds should be guaranteed;
 2. Emphasises that funding should be channelled as directly and efficiently as possible to the regions and local communities via national governments; considers that regions ought to be allowed to differentiate themselves from one another in order to be able to make effective use of the structural funds; considers that measures should be focused on the regions and local communities that have a great need of aid, that are experiencing special problems and that can make effective use of aid;

3. Regrets that there is little information available about best practice and urges the Commission to develop its knowledge in this area; points out that, in the opinion of players at regional and local levels, training opportunities and meetings should be used as a means of disseminating best practice in addition to publications and the Internet;

Programme negotiations

4. Criticises the fact that the negotiations on the programme documents ended up taking an average of 8-12 months instead of the scheduled five months; is surprised that, almost two years after the commencement of the programming period, all the programmes have still not been approved, but notes also that this has occurred due to delayed action by some Member States;
5. Notes that the Commission approved the general programme guidelines at such a late date that preparation of the programmes was already far advanced in the Member States and regions;
6. Regrets the fact that the Commission approved the guideline documents for Community initiatives and innovative activities at a very late date; points out that this delay resulted in the loss of some of the appropriations for innovative activities;
7. Considers that the Member States should discharge their responsibilities and create the conditions to enable the time limits and rules laid down in the programme negotiations to be adhered to; emphasises that there ought to be a deadline for the reply to be provided by the Commission;
8. Asks the Commission to consider whether the programming periods for objective programmes and Community initiatives can be kept separate so that gaps do not occur between programming periods and that the preparation time and negotiations for all programmes do not take place at the same time as also happened now *de facto* as a result of the delays;
9. Considers that the instructions for programme preparation could be further standardised and simplified; takes note of the wish in some Member States for more direct liaison and contacts with the Commission; points out that it is not possible to involve companies in programmes if procedures are lengthy and cumbersome;
10. Urges the Commission and Member States to consider whether the programme complement is consistent with the original objective of increasing the flexibility of programme implementation and improving programme quality;

Management and implementation

11. Urges Member States to develop adequate systems of management and monitoring and to link programme evaluation to decision-making; emphasises that Member States, regional and local authorities, especially in the applicant countries, should allocate sufficient well-qualified human resources to the management of structural fund programmes;
12. Regrets the fact that, in some Member States, the policy of control by central government

is hampering the implementation of structural fund programmes in the regions; considers that the role of the central administration in Member States should not be one of domination but of coordination, support and assistance and of providing a legality audit;

13. Emphasises that programmes and projects should not be too fragmented; believes that management and management expenditure along with monitoring and follow-up should be flexible and proportionate to the size of the programme or project; urges Member States and the Commission to consider the level of management and follow-up appropriate for small-scale projects;
14. Considers that assessment should move from being solely a final monitoring mechanism invariably related to funding and incorporate from the outset the programming and drawing-up of projects in order to help simplify management, supervision and monitoring; as a matter of priority such assessment should include not only financial indicators but also indicators of the quality of programmes and projects and their social effectiveness in terms of cohesion;
15. Urges the Commission to submit firm proposals (as regards good practice for example) for more flexible and streamline management and to make it easier to adjust to changes produced by rapid developments in economic, social and environmental conditions which affect the application and continuity of programmes and projects. With this in view, urges the Commission to develop an adequate rapid response mechanism to cope with events such as natural or environmental disasters, industrial restructuring, migratory movements, etc.;
16. Considers that project evaluation and the criteria to be employed should be further developed; notes that the regions can use as an aid when assessing the quality of programmes and projects the indicative efficiency indicators also applied during the budgetary procedure; considers that the rules should be more standardised than at present for the various funds, or even that a single regional development Fund should be achieved in 2007;
17. Notes that partnership is felt to be beneficial in the Member States and regions and has been implemented satisfactorily, although in different ways in different Member States; regrets that the partnership has been unequally implemented in the various Member States, with some sectors (NGOs, local communities etc.) being consulted only at the final stage;
18. Calls for the principle of additionality to be applied and for its application to be monitored effectively; considers that monitoring of the principle of additionality should be intensified and the provisions clarified; calls for the Commission to revise and clarify the rules implementing additionality; believes that where technically feasible additionality should also be monitored at programme and regional level; lastly, calls for appropriate penalties to be introduced for failure to comply with this principle;
19. Believes that, although the performance reserve represents a marginal amount, it is in principle an important incentive for the regions particularly as it is implemented within the Member State; believes that the performance reserve should be focussed on those areas where most benefit can be achieved with the aid of additional funding;

20. Considers that any sums subject to the offset mechanism should be re-used for programmes in regions where development is lagging behind to enable them to ensure efficiency and effectiveness through their own actions;
21. Regrets the fact that jointly funded cross-border and trans-national cooperation projects are felt to be onerous in the regions; points out that genuine added value can be derived from cross-border and trans-national projects; calls for the concept of 'cross-border area' to be defined, taking account also of the enlargement process under way and the programmes intended in particular for cross-border regions and areas;
22. Urges the Commission to consider whether the needs of urban and rural areas are sufficiently taken into account in the new Objective 2 programme and whether the URBAN and LEADER Community initiatives and Objective 2 programmes have been successfully coordinated;

Financing

23. Regrets the fact that the regions still feel the financing provisions to be complicated, in part unclear and open to various interpretations; believes that the instructions should be simple and clear and that the regions should receive adequate advice and guidance when implementing these provisions;
24. Believes that the n+2 rule for financing is necessary and should be complied with;
25. Urges those Member States with the largest payment backlogs from previous programming periods for the structural funds to clear this payment backlog and avoid delays during the present programming period;
26. Considers that, in the course of the programming period a certain flexibility should exist to alter the allocation of financing between different activities, priorities, programmes and even funds with the express approval of the Member State concerned and the Commission;

Follow-up and control

27. Is of the opinion that the significance of projects and the scope for implementing them should be clarified in a realistic fashion at the stage of approval both in terms of whether the proclaimed objectives and content of programmes match the real needs of the regions and of whether the rules are sufficiently flexible; notes that, according to the Commission, the quality of the *ex ante* appraisal for the programming period that has just commenced has fluctuated considerably between Member States and regions;
28. Considers that overlapping control should be avoided and that the various financial control bodies should coordinate their checks; points out that excessive control diminishes innovation;
29. Considers that Parliament should monitor the quality and performance of structural fund programmes more efficiently than at present and further develop budgetary control; emphasises that Parliament should have clear and transparent channels for obtaining

information and arranging follow-up; Believes the Commission should provide regular reports and updates on the financial performance and quality of structural fund programmes, to assist the European Parliament in the more rigorous monitoring of the programmes;

30. Considers that Parliament's function of supervising, monitoring and assessing structural policy offers citizens a guarantee regarding the effectiveness of Community regional policies and that it is therefore essential for this role to be an important and high-profile one; Proposes that, in order to provide background information on the management of the EU regional policy for the competent committee, an informal working group be set up, which monitors the implementation and assesses the results of the structural fund programmes and their budgetary execution;
31. Takes the view that the annual reports of the structural funds and the Cohesion Fund are published too late to be of effective use as evaluation tools nor are they adequate instruments for effective monitoring of structural fund implementation;
32. Urges the Commission to continue its work on strategic annual reviews of the Structural Fund programmes and thus develop further the evaluation and reporting of structural fund implementation; believes that existing monitoring concentrates too much on the rate of budget take-up and that a more central role should be played by quality control;
33. Believes that programme and project implementation in the regions and Member States should aim at self-verification and at improving through own initiatives both the management of structural fund activities and project quality and effectiveness;
34. Believes that programme and project implementation should be further strengthened through the use of value for money studies, clearly expressed exit strategies and the greater use of the de-commitment measure for those projects not activated within two years of approval;
35. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

Introduction

The economic and social cohesion of the European Union is just as essential an objective as the single market or economic and monetary union. Since 1989, the volume of resources allocated to the Structural Funds has risen apace: from € 64 bn in 1989-1993 to € 155 bn in 1994-1999 and € 195 bn in 2000-2006.¹ By means of this cofinancing, the Union aims to support efforts to attain the same objectives which the Member States have set for themselves in their own regional development policies. Because of the wide-ranging nature of the EU's regional development measures, responsibility for the implementation of the Structural Fund programmes lies with the Member States.

In the Member States and regions, the administration of the EU's Structural Funds is often seen as bureaucratic and the implementation of programmes as difficult, slow and inflexible. In assessing the success of the Structural Funds, an effort should be made to review their productivity and perform a qualitative analysis thereof. It is not enough merely to measure the use of the appropriations and their quantitative allocation.

This stage in the 2000-2006 programme period is a good time at which to assess how successful the drafting and implementation of regulations and guidelines has been, how the programmes have been set in train and what practical problems have arisen, for example in implementing and funding the programmes.

The purpose of this own-initiative report is to analyse the problems associated with the practical implementation of the Structural Funds and propose ways of improving the Funds' operation. An attempt will be made to indicate how the operation of the Structural Funds could be developed within the framework of the existing rules and what facts should be taken into account in preparing the next reform.

In order to obtain background information for use in this report, the rapporteur sent a questionnaire containing nearly 40 questions to a number of regions in each Member State. Around 30 replies have so far been received from nearly all the Member States. The rapporteur's warmest thanks go to all the regions which have answered the questionnaire.

The Agenda 2000 reform of the Structural Funds

The Agenda 2000 reform of the Structural Funds notably concentrated the Funds by reducing the number of objectives from seven to three. It was decided to apply strictly the concentration principle (75% eligibility rule), and transitional grants were introduced for those regions which had been target zones between 1994 and 1999. A new instrument was also introduced: the performance reserve, which means that when commitment appropriations are divided between Member States at the programming stage, 4% of them are placed in the performance reserve for distribution later in the programme period.

¹ Figure for the first year of the respective programme period.

Partnerships were widened and strengthened in order to attain greater added value. In partnerships, the subsidiarity principle is adhered to, as Member States remain responsible for selecting partners. An effort has been made to simplify the programming system, particularly by combining major projects and global grants to create other forms of assistance. The task of programming has been decentralised in such a way that the Member State or administrative authority, rather than the Commission, adopts a complement to the programme document once the monitoring committee has approved it.

An attempt has been made to clarify and simplify the principles underlying the rules on the management of funds so as to improve implementation of the budget and to create a closer relationship between this and implementation of the programmes. The 'n + 2' system was introduced, i.e. each measure must be completed within three years of the funding decision.

Each Member State bears general responsibility for the implementation, monitoring and effectiveness of the support measures, and the duties of the administrative authority, monitoring committee and supervisory authorities are precisely defined. Although evaluation remains independent, it is now an element in the preparation, implementation, monitoring and checking of programming and thus part of the administration of programming.

Experience of the beginning of the programme period

Programming

When determining and appraising the objectives of Structural Fund programmes, it is necessary to ascertain whether the objectives set and the programmes genuinely meet regions' needs. Programmes must be of high quality and effective.

The regions must invest properly in essential development regions and take sufficient account of their own regional characteristics. At present, efforts are made to include in the programmes virtually everything that conceivably could be included, with the result that the effectiveness and impact of projects can easily be relegated to the background. It is true that one reason for this may also be that central government's sectoral objectives tend to dictate policy.

There are major disparities between the administrations of the Member States. In some Member States, regional government has a clearly defined major role in the implementation of programmes. In others, central government retains strong control over the implementation of programmes. In certain Member States, central government has established idiosyncratic national practices which make it difficult to derive benefit from the Structural Funds.

In the regions, the administration of the Structural Fund programmes is in some cases felt to have become more difficult and bureaucracy to have increased. The new programme period has got off the ground very slowly. The programme negotiations were supposed to have been completed in five months, but on average took more than twice as long. Nearly two years after the beginning of the programme period, for example, almost 15% of Objective 2 programmes have yet to be approved.

The programme negotiations certainly took a long time. The significance of the guidelines which the Commission issued behind schedule does not always seem to be fully understood in the regions. According to the Commission's assessment, the programme documents were not all of the same quality in the various Member States, or even always within a given Member State, which caused the negotiations to overrun. Not all Member States forwarded their programme documents or the requested supplementary information on time.

On the other hand, many of the delays in the negotiations appear to have arisen from the Commission's slowness at processing documents and long delays in sending replies or from the new requirements presented by the Commission, whose significance the regions in some cases describe as slight. An objective programme now consists of two parts: the main part and a complement. The processing of the complements, in particular, caused delays. The internal organisational reform of the Commission also delayed its work.

Gaps should not arise between programme periods. In the interests of continuity, consideration should be given to the possibility of separating the periods covered by objective programmes and Community initiatives, so that they overlap. The Commission too should be required to reply within set deadlines during the negotiating process.

The creation of partnerships has meant extra administrative work, but is also felt to have created added value. In some regions, the partnership is seen as too cumbersome and conducive to sectoral thinking. On the other hand, greater advantage can be taken than hitherto of the special features of regions, their diversity and their strengths in programming and in selecting projects.

Project work

The administration of projects and the resultant costs should be proportional to the size of the project. Smaller projects could be grouped together under a single 'umbrella' so as to create larger wholes which would have more impact. On the other hand, consideration should be given to whether it would be more appropriate for small projects simply to be funded nationally. The simpler and more direct measures are, the better their results can be assessed. In the regions, cross-border projects are considered unnecessarily difficult to implement.

Consideration should be given to whether it might be desirable to use EU cofinancing during the next programme period to fund larger projects or groups of projects, which would have a more general impact. Monitoring, supervision and auditing could then be carried out more effectively. To be sure, there is still a need for small projects, for example in rural areas, island regions and sparsely populated areas.

Funding

Although the number of objectives and programmes has been reduced, several funds are still in use for regional policy purposes. A multifund system increases administration, and there are problems of coordination among them.

Another problem with the funding of projects is organising national funding. It is difficult to persuade businesses to get involved in EU projects because there is so much red tape and procedures take so long. In response to the allocation of EU funding, national funding has been withdrawn from regions or else reallocated, with the result that the additionality principle has been neglected. Greater supervision is needed to ensure additionality.

Monitoring, supervision and evaluation

As far as monitoring of the Structural Funds is concerned, more precise supervision of the use of appropriations and better evaluation of results are required. Responsibility for monitoring and the resources to facilitate it should be transferred to the Member States, closer to those responsible for implementing projects, in order to identify any shortcomings in administrative systems. The effectiveness of the division of labour between the Commission, Member States and the regions should be reviewed.

In carrying out supervision and assessing the real outcome of projects, attention should also be drawn to unsuccessful projects. It is important to disseminate information about good practices, both nationally and throughout the EU.

At present, the success of projects in the regions is often measured purely in terms of what proportion of the funding available during the programme period was committed. It is not sufficient merely to monitor the rate of implementation of programmes: better criteria for productivity are required.

At the beginning of a programme period certain criteria should be applied in order to measure the results of projects. In selecting these criteria, account should be taken of the differences between regions. It should be possible to give an exact assessment although, for example, calculating numbers of jobs with precision is very problematic.

The criteria used in evaluations should be stated in sufficiently concrete terms. On the other hand, they must be reasonably harmonised and comparable. Attention should be devoted to the reliability of data gathering.

Conclusions

Problems have also been identified in the implementation of the Structural Funds in the programme period which has recently begun. Respondents in the regions have been particularly surprised by delays in the programmes and by differences of interpretation of rules.

The most important criteria for implementing Structural Fund programmes should be productivity, regional added value and quality. In addition, the objectives set and the programmes for attaining them should meet regions' needs effectively.

The role of the European Parliament's Committee on Regional Policy, Transport and Tourism

should not be confined to the annual approval of appropriations. The committee should participate more actively in the evaluation of the policy on the Structural Funds. The committee should be involved in monitoring the implementation of regional policy in other ways than just through the budget procedure or cohesion reports. The aim should be to create clear and transparent models for action to obtain information and organise monitoring. The Commission should produce the requisite background data and material for use by Parliament in its monitoring work.