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REPORT

on the Structural Funds: trend in outstanding commitments and requirements
for 2004
(2002/2272(INI))

Committee on Budgets

Rapporteur: Giovanni Pittella

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PROCEDURAL PAGE

At the sitting of 16 January 2003 the President of Parliament announced that the Committee on Budgets had been authorised to draw up an own-initiative report under Rule 163 on the Structural Funds: trend in outstanding commitments and requirements for 2004 and that the Committee on Regional Policy, Transport and Tourism had been asked for its opinion.

The Committee on Budgets had appointed Giovanni Pittella rapporteur at its meeting of 12 November 2002.

It considered the draft report at its meeting of 1 September 2003.

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

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Anne Elisabet Jensen (vice-chairman), Franz Turchi (vice-chairman), Giovanni Pittella (rapporteur), Ioannis Averoff, Kathalijne Maria Buitenweg, Den Dover, James E.M. Elles, Anne-Karin Glase (for Markus Ferber), Catherine Guy-Quint, Willi Görlach (for Bárbara Dührkop Dührkop), Jutta D. Haug, Wolfgang Ilgenfritz, Wilfried Kuckelkorn, Jan Mulder, Juan Ojeda Sanz (for John Joseph McCartin), Joaquim Píscarreta, José Javier Pomés Ruiz (for Juan Andrés Naranjo Escobar), Paul Rübzig (for Thierry B. Jean-Pierre), Esko Olavi Seppänen (for Chantal Cauquil), Per Stenmarck, Jaime Valdivielso de Cué (for Salvador Garriga Polledo), Rijk van Dam (for Michel Raymond), Kyösti Tapio Virrankoski, Ralf Walter and Brigitte Wenzel-Perillo.

The opinion of the Committee on Regional Policy, Transport and Tourism is attached.

The report was tabled on 3 September 2003.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Structural Funds: trend in outstanding commitments and requirements for 2004 (2002/2272(INI))

The European Parliament,

- having regard to Article 272 of the EC Treaty,
 - having regard to Regulation (EC) No 1260/1999¹,
 - having regard to the Commission communication on evolution of budget execution of the Structural Funds, in particular outstanding commitments (COM (2002) 528),
 - having regard to the Court of Auditors' annual report for 2001²,
 - having regard to its resolution of 11 March 2003³ on the guidelines for the 2004 budgetary procedure, Section III - Commission,
 - having regard to the 2004 preliminary draft budget presented by the Commission (COM 2003) 400),
 - having regard to Rule 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets and the opinion of the Committee on Regional Policy, Transport and Tourism (A5-0286/2003),
- A. having regard to the budget outturn for the Structural Funds at the close of the last three financial years and at 30 April 2003,
- B. having regard to the trend in outstanding commitments during the same periods,
- C. having regard to what is required for the financial year 2004 in order to reduce outstanding commitments substantially and fund additional, enlargement-related expenditure,
- D. whereas, under the 2004 PDB for EU-25, payment appropriations for the Structural Funds are € 2.49 bn down on the 2003 budget and amount to only € 30.7 bn, or 7.5% less,
- E. whereas at constant prices on a like-for-like basis, under the 2004 PDB for EU-15, that reduction is even more drastic, i.e. 12.8%,
- F. whereas, at the same time, it is proposed that commitment appropriations be increased by 20.8%, thus bringing about a corresponding increase in outstanding commitments,
- G. whereas total payment appropriations under the PDB for EUR-15, already down on 2003,

¹ OJ L 161, 26.6.1999.

² OJ C 295, 28.11.2002.

³ P5_TA-PROV(2003)0079

now represent no more than 0.99% of EU GNI,

Implementation of payment appropriations

1. Notes that the low implementation rate for payment appropriations at year-end 2000 had deteriorated still further by 31 December 2001 and that the modest improvement observed at the close of the financial year 2002 has not been maintained, since the utilisation rate for appropriations was markedly lower at 30 April 2003 than on the same date last year;
2. Discovers with regret that as of 1 March 2003 and with only one month remaining before the deadline for request for final payments for the 1994-99 programming period, there were still some 300 programmes for which the final claims had not been received for the European Regional Development Fund (ERDF) alone; believes that instances of claims relating to exceptional circumstances must be assessed with caution and not be allowed to constitute an excuse for poor and inefficient implementation;
3. Welcomes the fact, however, that almost all the final payments had been requested by 31 March 2003;
4. Deplores the fact that unused appropriations amounted to € 6.2 bn at 31 December 2002, € 8.7 bn at 31 December 2001 and € 6.7 bn at 31 December 2000, i.e. € 21.6 bn in total, and that the aggregate payment rate at year-end 2002 (2000, 2001 plus 2002), compared with the total budget allocation for the entire 2000-2006 period, confirms this unsatisfactory situation;
5. Points out that speeding up implementation is a constant concern for the budgetary authority; underlines that elimination of the programming weaknesses and efficient management by the Commission and the Member States should be addressed when revising the Structural Fund rules;
6. Notes that large-scale underimplementation of payment appropriations stems in part from the complexities of lengthy programming procedures and is also accounted for by the unreliability of Member State payment claim forecasts;
7. Stresses that underimplementation of Structural Fund payments, which come under non-compulsory expenditure, looks set to become a political issue, given the volume of appropriations involved and their economic and social significance, i.e. 34% of the Community budget;
8. Calls upon its relevant committee, too, to analyse, in the course of the discharge procedure, the reasons which have caused such a state of affairs to arise;

Trend in outstanding commitments

9. Voices its concern at the deterioration in the situation concerning outstanding commitments, which totalled € 91.6 bn at 31 May 2003, as opposed to € 82.1 bn and € 64.9 bn on the same date in 2002 and 2001 respectively, or an increase of 41% during the last three financial years;

10. Notes that there is currently €14.4 bn outstanding payments in respect of 2001 commitments, implying a high risk of decommitment at the end of 2003; is concerned that several Member States have significantly poorer payment records than the rest; restates, therefore, its earlier appeal to those Member States with the worst payment backlogs to urgently assess their administrative procedures so as to address this problem;
11. Notes the risk of a large volume of outstanding commitments at year-end 2003 and voices its determination to subject the action plan to eliminate 'abnormal' outstanding commitments and the 2003 budget outturn to the utmost scrutiny; draws attention that payment appropriations for Structural operations in June 2003 reached 17% while the forecast for July 2003 is to reach 34%;
12. Notes in this connection the Commission's explanations that the delays in Structural Fund programme implementation in the period 2000-2006 have been due, in part, to the fact that the Member States have focused their efforts on completing old projects;
13. Notes, however, that outstanding commitments relating to the completion of old projects still totalled € 15.2 bn at 31 May 2003 and that it is therefore becoming imperative to clear those outstanding commitments, in respect of which a very small proportion of payments were made in 2002 instead of the € 8 bn initially programmed;
14. Calls on the Commission and Member States, with regard to the 2000-2006 period, to enhance cooperation and step up their efforts to reduce outstanding commitments, which now total € 76.4 bn and stem, seemingly, from belated action to lay down programmes and difficulties in getting them off the ground and from an excessively complicated overall procedure;
15. Takes the view, however, that the fact that outstanding commitments are to some extent inherent to the process of implementing differentiated appropriations, which necessarily involve a time lag between commitments and payments, should not therefore distract Parliament's attention from the primary objective of structural policy, which is to foster economic and social cohesion and sustainable development;
16. Also therefore points up the need to concentrate more on project quality and on the real impact of the Structural Funds in the regions concerned and, in tandem with this, to look promptly for a solution to the question of 'abnormal' outstanding commitments;

Payment appropriations required in 2004

17. Insists that the volume of payment appropriations for the financial year 2004 should, among other things, be assessed on the basis of Member State forecasts, taking into consideration the level of old outstanding commitments, payments for the current year and enlargement-related requirements and the outstanding commitments situation concerning the previous period;
18. Points out, in addition, that underutilisation of appropriations during the first three years means that the schedule of payments for forthcoming financial years will have to be revised, since payments not made in time will have to be carried forward, in particular to 2004;

19. Notes that the volume of payment appropriations proposed in the 2004 PDB by the Commission, citing the completion of programmes from the previous period (1994-1999) by way of justification, i.e. € 30.7 bn, is 12.8% down on the previous year, particularly as, moreover, no request for carryover of appropriations has been submitted;
20. Is of the opinion that that amount might prove insufficient to ensure a significant reduction in outstanding commitments in 2004, when commitment appropriations are to rise by 20.8% at the same time as a result of reincorporating a proportion of 2000 appropriations into the budget;
21. Therefore considers that on the basis of reasonable estimates - e.g. a 30% reduction in old outstanding commitments (€ 27.48 bn), a payment level representing 20% of commitment appropriations for the current financial year for EU-15 (€ 6.86 bn) plus € 1.76 bn for enlargement - total payment appropriations would already amount to € 36.10 bn, or € 5.4 bn more than the Commission has earmarked in the 2004 PDB; retains the option, therefore, of amending the relevant proposals during the current budgetary procedure;

Applying the n+2 rule

22. States that it will monitor application of the n+2 clause and reaffirms its firmly held belief that that rule, which is a necessary rule, must be complied with; notes that, for the financial year 2002, the impact of the n+2 clause is apparently very limited, representing less than 0.5% of the budget allocation for the financial year 2000, and that several aspects of the situation need to be clarified to gain a better understanding of the real reasons and assess the amounts involved;
23. Notes in this connection that the Commission has agreed that, by way of dispensation, advances granted by Member States to final beneficiaries will be made eligible and will therefore be included in reimbursement claims received before 31 December 2002; urges the Commission to be vigilant so that that exemption does not become a means of evading the obligations deriving from the n+2 rule, which would make it even more difficult to absorb outstanding commitments;
24. Takes the view, in addition, that interpretation and implementation of Articles 31, 34(3) and 35(3) of Regulation (EC) No 1260/1999 have enabled Member States to make adjustments to programme complements by redirecting dormant commitments to assistance operations with a better implementation rate;
25. Stresses that the effect of such a practice is to hinder the objective of the n+2 rule, the very purpose of which is to force the players involved to manage programmes more rigorously; takes the view that the n+2 rule must not prompt giving priority to the quantitative aspect of implementation at the expense of quality;
26. Asks to be told about the situation in 2003, as that will partly determine the level of outstanding commitments, and therefore insists that the Commission provide Parliament with regular, exhaustive information on the n+2 efforts to be made up to 31 December 2003 and 2004, broken down by programme and country;

27. Considers that regular Commission and Parliament monitoring of the n+2 risk ought to make it possible, firstly, to identify both the programmes, regions and Member States with recurring difficulties and what causes them and, secondly, to flag up the best project management practices, which could then benefit all the players involved; calls therefore on the Commission to forward to it a precise breakdown of the situation every quarter; such information should be incorporated into an effective form of quarterly monitoring designed to improve the implementation of structural operations; such monitoring will include in particular an updating by programme and by fund of the situation concerning payments vis-à-vis commitments in the year n-2, so that the efforts which each Member State and each region has yet to make in order to prevent n+2 decommitments during the current year and the following year can be assessed; notes that the Commission will endeavour to produce an initial updating during the last quarter of 2003;

Simplification measures

28. Notes that implementation rates for the initial years of the period 2000-2006 have not departed too far from those in the previous programming period and that overall, despite the simplification measures adopted, the new procedure has not to date had the impact it was expected to have on programming efficiency;
29. Calls on the Commission to step up its efforts to simplify procedures and improve implementation of the Structural Funds by ensuring promotion and dissemination of best practices in project management and by stimulating cross-cutting cooperation between regions;
30. Urges that new, clear and simple control tools be developed and used without delay to carry out effective monitoring on a quarterly basis and thus enhance implementation of structural operations: improvement and harmonisation of Member State payment forecasting methods, readiness and early-warning indicators, and performance indicators for assessing economic and social impact on beneficiary regions;

Enlargement to include new countries

31. Stresses that, following enlargement in May 2004, only two and a half years of the present programming period will remain and that the new Member States' administrations will have to implement programmes quickly so that, having regard to the € 6.709 bn in commitment appropriations entered for 2004, the payment appropriations proposed for 2004, i.e. € 1.760 bn, can actually be used;
32. Calls therefore for the adoption of specific measures for implementing the Structural Funds in the new accession countries, bearing in mind that the first programming period is less than three years, and requests that actions are taken to conclude their single programming documents as soon as possible in order to avoid a build-up of delays in the very first year in which their programmes are implemented;

Beyond 2004

33. Takes the view that, for the future, the Commission ought to envisage a more ambitious approach which would make it possible to realise structural policy objectives at a lower

cost in terms of planning, management and monitoring and achieve a compromise between current and prospective Member States' needs within a revamped structure for economic and social cohesion;

34. Calls therefore on the Commission promptly to present its guidelines on the regulation governing the next period so that future objectives and implementing arrangements can be laid down in a clear and readily comprehensible form;
35. Considers that, to ensure better use of the funds, the prospective regulation should:
 - (a) stress the Commission's strategic role, which ought to focus on defining development priorities, on the consistency of operations with those priorities and on monitoring the effectiveness of implementing systems, while responsibility for implementing and managing operations would be devolved to the Member States;
 - (b) be straightforward, clear and precise so as not to give rise to differing interpretations; in connection with this simplification objective, it also would appear vital to combine the funds and confer management of the single fund on a single Commission department so as to improve efficiency;
 - (c) provide for programming arrangements to be laid down in partnership between the Commission and the Member State concerned, with due regard both for the political strategies devised by the Commission and for what is dictated by realities on the ground locally, and for the emphasis to be placed on development priorities rather than on implementing arrangements;
 - (d) give the monitoring committee a more relevant role, in particular as regards decisions on programme changes, which should extend, in partnership with the Commission, not only to financial aspects, but also to basic strategy;
 - (e) take account of the need to strike a balance between the simplification measures required and the continuing need for checks;
 - (f) maintain the incentive measures for effective implementation of operations, such as the n+2 rule and the performance reserve, albeit basing that reserve on simpler and more meaningful indicators which themselves are grounded in defined and realised objectives;
36. Instructs its President to forward this resolution to the Council, the Commission and the Court of Auditors.

EXPLANATORY STATEMENT

SIMPLIFICATION OF THE MANAGEMENT OF THE STRUCTURAL FUNDS

1. In response to a request from the Member States and the European Parliament, the Commission arranged a meeting of the ministers responsible for regional policy on 7 October 2002 with a view to improving the effectiveness of management of the Structural Funds. Not only do the regulatory requirements and demands made by the Commission sometimes seem excessive and the rules too inflexible but there is also insufficient coordination between the action taken by Commission departments.
2. On the basis of the guidelines established at that ministerial meeting, the technical committees have examined the proposals to improve the management of structural policies and the Commission will be invited to adopt proposals to implement these improvements no later than the start of the second half of 2003. This working document examines the latest developments in this sphere and presents the Commission's proposals with comments where appropriate.

1. The proposals

3. The Commission's approach is based on four key principles.
 - Simplification: streamlining or abolition of the requirements in the regulations adopted by the Commission or in guidelines based on them,
 - Clarification: explanation of existing measures,
 - Coordination: need for greater efforts in coordination between Commission and Member State departments
 - Flexibility and proportionality: the least restrictive approach should be adopted wherever possible and a proportionate link should be established between the objective and the rules intended to achieve it, both at national and Community level.
4. As the 1999 Berlin agreement must be adhered to, the Commission has looked at how management of the Structural Funds could be improved within the existing legislative framework. Consequently, these proposals could be implemented without amending current legislation, except for the rules on eligibility and systems of management and control.
5. The Commission proposes nine distinct topics which are based directly on the regulatory requirements and their interpretation, and which should facilitate the Member States' management tasks and their working relationship with the Commission. It is also examining its internal procedures to shorten deadlines and improve coordination between

its departments. It suggests that the Member States should take similar steps to achieve more internal coordination and simplified procedures.

1. Adjusting the programmes

6. The Commission feels that adjustments to programmes in the interests of sound management are acceptable, independently of the mid-term review and of adjustments to assistance as a result of significant changes in the socio-economic situation. These adjustments may be needed to improve the management of the assistance, or they may be in response to the introduction of measures to achieve the strategic objectives. The Commission also provides clarification on existing amendment possibilities regarding programme complements.

2. Controls

7. The Commission's objective is to arrive at a single audit strategy common to the Commission and the Member States. With the aim of strengthening confidence in the national systems, resulting in a reduction in the level of auditing by the Commission, it proposes considering with the Member States the introduction of an annual statement of assurance for each programme.
8. The Commission undertakes to update its audit methodology and establish, before the beginning of the year, a programme of planned on-the-spot audits to more closely coordinate the work of the various Structural Fund audit departments and cooperation with OLAF within the confines of OLAF's own rules. It will also enter into discussions with the Court of Auditors so that the Court can also take part in this drive towards greater coordination.
9. The Commission will set up a computerised scoreboard of audits planned and carried out. It will inform the Member States rapidly and regularly of the results of inspections. The Member States will be encouraged to cooperate in the audit activities to identify common problems and uniform solutions and move towards standard inspection procedures. The Commission will take steps to work out standards of best practice for the key elements of the national audit systems (separation of duties, the role of the paying agencies and controls on expenditure by sampling).

3. The mid-term review

10. The Commission's indicative guidelines will be simple and not lead to a renegotiation of assistance. The Commission proposes that the timetable should be such as to allow an effective review and the streamlining of the committee consultation procedures without affecting the required level of transparency. In addition, to improve efficiency, it proposes bringing forward preparation of the mid-term review to limit the subsequent time required for approval.

4. *Reports*

11. It is proposed to reduce the number of reports significantly as these could be consolidated in a single document requiring both the Member States and the Commission to coordinate their work more closely. The content of the annual control report could be included in the annual report for each assistance measure. The internal procedures established in this context and the impact of these procedures on financial flows still have to be clarified.

5. *Result and impact indicators*

12. To reduce the administrative cost and burden, it is proposed that the data production and collection intervals for the various types of indicator should be spaced out. In partnership, the Member States and the Commission could reduce the number of indicators, in particular for multi-Fund programmes, in line with monitoring and evaluation needs. The amount of information and the volume of data included in the annual report could be reduced by restricting them to the financial and physical indicators required to show progress made in the assistance. The process of adjusting the indicators would be flexible within the framework of programme adjustment in the interests of sound management.

6. *The performance reserve*

13. It is suggested adopting only simple and transparent methods for allocating the reserve instead of some of the complicated methods proposed by the Member States. The set of parameters for the reserve could be simplified, in particular for small programmes. In some cases, the number of indicators of effectiveness especially for the larger recipient Member States could be reduced to between eight and twelve instead of the ten, twenty, thirty or more proposed by some Member States.

7. *The annual meeting*

14. The annual review is more political by nature and should not become an extra Monitoring Committee meeting. The Commission undertakes to be represented at senior management level and to prevent duplication with the annual control meeting.
15. In the interests of proportionality, the Commission proposes that either no meeting should be held for programmes implemented without problem or that, wherever possible, the annual meetings should be grouped together where one managing authority is responsible for more than one programme. Some annual meetings could be arranged by video-conference.

8. *The Commission's role in Monitoring Committees*

16. Simplification could be achieved by making the number of Monitoring Committee meetings per year proportional to the size of the programme and the management decisions that are required. Proper and streamlined preparation of Monitoring Committee meetings by all the parties concerned is an essential requirement if positive results are to be achieved. In the future, the Commission is willing to arrange the required internal coordination so that the lead department can adopt a position binding on the Commission.

This means that the documents on the Monitoring Committee agenda must reach the Commission within a reasonable time.

9. *Financial management*

- 'N+2' automatic decommitment clause

17. On 27 May 2002 the Commission adopted proposals clarifying the implementation of the 'N+2' decommitment clause taking account of programme management requirements. The automatic decommitment clause must therefore be maintained to encourage programme managers to use the resources provided within the two financial years following the commitment and to implement approved programmes rapidly.

- Reimbursement of payments on account

18. All or part of the 7% initial payment on account must be repaid to the Commission if no payment application is sent within 18 months of its decision to grant a contribution from the Funds. The Commission has developed an early warning system which allows the management authorities to be given three months notice and ensures equal treatment.

- Treatment of advances in declarations on expenditure

19. The Commission is proposing that all advances to ultimate beneficiaries (excluding advances paid to final beneficiaries and other intermediate bodies) should be eligible, the necessary arrangements being adjustable to enable the specific characteristics of the sectors receiving assistance to be taken into account.

- Part-financing

20. The Commission proposes to reimburse applications for interim payments at the level of the measure or at the level of the operation, taking account of the different features of the actions part-financed by the Structural Funds.

II. Observations

10. *Analysis of the Commission proposals*

21. The Commission's proposals have to be assessed against a highly complex background, not only because responsibility for management is shared between all the parties concerned but also because of the specific organisational traditions of each Member State and the different ways in which national or regional administrations operate.

22. For each of the nine areas listed, the Commission analyses the nature of the problems, the scope for simplification or clarification, the measures proposed and their operational and legal implications. Although this exercise has been carried through using a clear and methodical approach, we wonder whether the proposals put forward may not be excessively cautious or even unambitious.

23. For the purpose of our assessment these limited proposals have been grouped together under various headings as set out below.

- **Sound management independently of simplification**

24. Some of the measures are in fact no more than general proposals for sound administrative management which could have been expected to have been introduced some time ago as part of the administrative reform launched in 2000 and which, however laudable they may be, are not directly linked to simplification of the management of the Structural Funds.

25. As an example, there is the suggestion that to ensure that the annual review is effective it is necessary to focus the meeting on key aspects which ought to be dealt with or that annual reviews should be grouped together for obvious reasons of minimising costs and saving time where one managing authority is responsible for more than one programme.

- **Limited scope for simplification**

26. As the Commission itself points out several times, the simplification exercise will remain limited in the absence of any change to the existing regulatory framework. For instance, in its analysis of the procedure for the mid-term review, it says that there are some, albeit limited, possibilities of improving the timetable and coordination with the Member States, and rationalising Commission procedures.

27. As far as the indicators are concerned, the Commission says that these result in complicated data collection and monitoring systems and relatively cumbersome annual reports without necessarily much transparency or a distinction being made between what is important and what is secondary in all this information.

28. However, the scope for simplification suggests that any shake-up of the system could be counter-productive because it could introduce new problems given that the monitoring systems are already in place. The monitoring system indicators also serve the particular needs of the Member States and regional authorities.

29. As far as the annual meeting arrangements are concerned, experience acquired to date does not permit major steps towards simplification. Instead the Commission proposes clarifications of the role of the annual meeting aimed at making it effective.

- **Overlapping proposals**

30. In the case of the mid-term review, the scope for simplification suggests that Commission guidelines should be simple and not lead to a renegotiation of interventions. In the case of the indicators, it is suggested that the Commission, in partnership with the Member States, could examine the indicators needed to monitor and evaluate assistance with the aim of introducing a less cumbersome system.

- **Further confirmation of earlier undertakings**

31. A number of the proposals do no more than simply repeat earlier undertakings. As an illustration, in the case of the performance reserve, the simplifications include confirming that a single decision only will be taken at the mid-term point for adapting each programme and the performance reserve.
32. In the case of controls, it is said that a report setting out a comparative analysis of national systems of financial management and control which would identify best practices and promote new solutions to problems of a horizontal nature will be presented by the Commission as indicated in its communication of 5 July 2001.
33. The proposals also say that guidance is already contained in appendices of the Structural Funds Audit Manual issued in 1998. However, the manual itself is now out-of-date and not all national controllers are aware of it as a source of information. The guidance will be updated and completed taking account of the discussions at the September meeting.

- **Simple reminder of existing regulatory provisions**

34. Although reminders of this kind may be useful, they do not entail any new simplification. As an illustration, under the heading of modifying programmes the Commission says that the current regulations have simplified procedures for adjusting Fund assistance compared to the 1994-99 period. The programme complements in particular can be adjusted at any time on the initiative of the Monitoring Committee or with its agreement. The managing authority is required to inform the Commission of the adjustment under Article 34(3).
35. Along the same lines, it is recalled that the Community support frameworks, operational programmes and single programming documents can be adjusted under the conditions laid down in the regulations governing the Structural Funds and that Article 35(3), in accordance with Article 34(3), allows the Monitoring Committee to initiate adjustments.

- **Pious hopes**

36. As an example, in the case of the operational and legal consequences of the mid-term review, the suggested approach means that managing authorities will have to endeavour to produce the necessary documents before the latest date indicated in the Regulation and that all partners should be aware of the time constraints and thus make efforts to conclude negotiations and procedures as soon as possible.

11. How ambitious are the proposals?

37. Any effective proposal aimed at simplifying the management of the Structural Funds and likely to solve recurrent problems (delay in implementation, outstanding commitments, under-use of payment appropriations, lack of transparency, etc.) is to be welcomed. However, it has to be seen whether the suggested measures, and their relatively cautious nature, will have a significant enough impact to absorb the burden of the past, improve monitoring of programme implementation and reduce outstanding commitments.
38. In its desire to make the simplification of management of the Structural Funds a success,

the Commission might be over-emphasising the responsibility of the Member States instead of trying really to simplify its own methods and improve the functioning of its operational structure as part of its own administrative reforms.

39. For instance, it would have been useful to know what benefits the Commission believes there will be in terms of effectiveness as a result of the increase in human resources introduced as part of this reform, as well as the impact of the provisions of the new Financial Regulation. Similarly, although the undertakings concerning greater coordination are welcome, they should always have been part of the approach of the directorates-general.
40. In practical terms, putting the suggested measures into effect would also entail drawing up a detailed implementation plan with a very precise timetable in order to ensure satisfactory budgetary implementation, reduce the number of stages in preparing programmes, put in place new instruments to eliminate delays in adopting programmes and improve the project implementation cycle. Insufficient consideration seems to have been given to this important aspect.
41. In addition, the impact of simplification of the management of the Structural Funds on the eve of enlargement to include new countries which will be major beneficiaries in the start-up and implementation phases should have been discussed in much greater detail.
42. Although the number of objectives and programmes has been reduced under the existing regulations, there are still several funds for regional policy. This situation inevitably makes administrative management more cumbersome and increases the coordination difficulties. The number of funds should be reduced, particularly as they are now integrated in coherent measures.
43. In 1999, in its second report on the reform of the Commission, the Committee of Independent Experts suggested that a single directorate-general should be responsible for objectives 1 and 2. The European Parliament has also proposed that one directorate-general and one minister in each Member State should exercise full responsibility for the implementation of each Structural Fund.
44. This could improve coordination between the various departments of the Community, national and regional administrations. It might be possible to standardise the preparation of programmes to some extent. Reducing the number of programmes would probably make management less cumbersome, release more appropriations for each programme, release human resources for monitoring tasks and facilitate the application of implementing measures.
45. Finally, some Member States or regions still feel that the financial regulations are complicated, if not ambiguous. The instructions should therefore be simplified and clarified to allow all those involved to receive the advice they need to implement their programmes.
46. Nevertheless, to achieve this objective, the clarification measures proposed must be confined to removing any ambiguities and making sure that the many regulations are not

made even more complicated, otherwise further sources of problems might be created. This may not always be the case with what the Commission proposes, e.g. the possibility of drawing up a declaration of assurance certifying the closure of the accounts at the end of each year instead of doing so only at the end of the programme.

III. Conclusions

47. In your rapporteur's view, the Commission's proposals are a first step but these matters need to be dealt with more thoroughly in discussions in the Committee on Budgets' 'Simplification' working party. Following these discussions, the Commission might be asked to consider amending the Regulation with a view to making more ambitious changes to procedures.
48. The rapporteur also wonders whether it might not be useful to adopt specific rules for implementing the Structural Funds in the accession countries and to give these countries the opportunity to prepare their single programming documents as soon as possible in order to avoid building up delays in the first year of implementation of their programmes.

BUDGETARY SITUATION OF THE COMMUNITY INITIATIVE PROGRAMMES

1. Your rapporteurs' aim in submitting this working document is to draw the attention of the members of the Committee on Budgets to issues relating to the implementation of the budget as regards the Community initiative programmes, one of the main problems being the low utilisation rate for payment appropriations. After analysing the situation at the end of the financial year 2002, they outline the causes of the problems affecting the management of these programmes and make some comments.
 1. **The budgetary situation**
 - *The budget for the Community initiative programmes*
2. Over the period 2000-2006 four Community initiative programmes with specific objectives are being financed from the Structural Funds. The sums involved total EUR 11.129 billion, or 5.3% of the overall budget for the Structural Funds.
3. The INTERREG III programme is financed by the ERDF for the countries of the European Union (budget: EUR 5.210 bn). A number of third countries also take part in the programme and, in certain cases, provision is made for funding for regions outside EU-15 via ISPA, SAPARD, TACIS and MEDA. However, this twin-track Community funding gives rise to problems affecting the implementation of the programmes.
4. INTERREG III is implemented in three priority areas: transfrontier cooperation with a view to fostering integrated regional development between frontier regions (strand A), transnational cooperation with a view to contributing to integration among the countries of the European Union and with the applicant countries or other neighbouring countries (strand B), and interregional cooperation with a view to enhancing regional development policies (strand C).
5. The LEADER+ programme is financed from the EAGGF Guidance Section (budget: EUR 2.149 bn). It seeks to supplement rural development programmes by encouraging all those with a stake in rural affairs to devise and implement integrated and innovative strategies involving the pooling of know-how and human and financial resources and exchanges of experience.
6. The EQUAL programme is financed from the European Social Fund (budget: EUR 3.026 bn). On the basis of new practices, it seeks to ensure that the labour market is open to everyone by combating all kinds of discrimination and inequality. It places the emphasis on the transnational nature of projects, participation by regional and local authorities and undertakings and the dissemination of best practice.
7. The URBAN II programme is financed from the ERDF (budget: EUR 743.6 m). It seeks to develop innovative strategies for the economic and social regeneration of towns

or districts facing very severe problems, by facilitating exchanges of experience and identifying good practice. It should be borne in mind that the budget for this programme was released by cutting back the funding for Innovative Actions. A declaration annexed to the IIA makes provision for the use, if necessary, of the flexibility instrument. Is the Commission prepared to assess the situation and make such a proposal?

• **Outturn as at 31 December 2002**

8. The problems stem from the low utilisation rate for payment appropriations, since commitments are effected automatically, in annual instalments, on the basis of the programmes.

However, no appropriations were committed in 2000 following the Commission's failure to adopt decisions approving the programmes. The corresponding appropriations were carried over.

As regards payment appropriations, outturn covers some appropriations from the new programming period and some from previous periods.

Situation with regard to commitment and payment appropriations in 2002 (m)

<i>New programming period 2000-2006</i>	<i>Commitment appropriations as at 01.01.2002</i>	<i>Payment appropriations as at 01.01.2002</i>	<i>Payments as at 31.12.2002</i>	<i>Payments (%) as at 31.12.2002</i>
LEADER +	357.17	145.00	74.90	51.7 %
INTERREG III	942.83	355.00	265.42	74.8 %
EQUAL	508.92	157.00	11.26	7.2 %
URBAN II	126.30	55.00	21.87	39.8 %
Sub-total	1 935.22	712.00	373.45	52.45%
Previous programming periods 1994-1999	1.00	1 478.00	180.92	12.2 %
Grand total	1 936.22	2 190.00	554.37	25.3 %

9. This table shows that, at the end of the financial year 2002, the utilisation rate for payments was 25.2%, and only 12.2% for payments from previous programming periods. While INTERREG III shows an acceptable utilisation rate, the same cannot be said of the three other programmes or the clearance of payments from earlier programming periods. A total of EUR 1.648 bn has not been used.
10. Moreover, when set against the overall budget for the period 2000-2006 the aggregate figure for the utilisation of payments between the start of 2000 and the end of 2002 confirms this unsatisfactory situation, as reflected in the following figures.

Utilisation rates over the entire programming period so far

<i>Programmes</i>	<i>Situation as at 31.12.2001</i>	<i>Situation as at 31.12.2002</i>
LEADER +	3.8 %	7.3 %
INTERREG III	1.6 %	6.7 %
EQUAL	7.0 %	7.2 %
URBAN II	5.8 %	8.7 %

11. In that connection, a breakdown of these figures by country offers interesting pointers.

	LEADER +	INTERREG III *	EQUAL	URBAN II
Austria	9.1%		7.0%	7.0%
Belgium	7.0%		7.0%	7.0%
Denmark	7.0%		7.1%	7.0%
Finland	10.5%		7.1%	7.0%
France	7.0%		7.5%	7.3%
Germany	7.0%		7.0%	8.7%
Greece	7.0%		7.0%	7.0%
Ireland	7.0%		7.7%	7.0%
Italy	7.0%		7.0%	10.7%
Luxembourg	7.0%		8.4%	
Netherlands	7.0%		7.0%	10.3%
Portugal	10.6%		9.1%	7.0%
Spain	7.0%		7.1%	12.2%
Sweden	7.0%		8.0%	7.0%
United Kingdom	7.0%		7.9%	7.0%
Networks	0%		2.0%	0%
INTERREG		6.7%		
Total	7.3%	6.7%	7.2%	8.7%

* Owing to its transnational, transfrontier and interregional nature, there is no country-by-country breakdown for the INTERREG III programme.

12. It should also be stressed that this poor result already incorporates the payment of the 7% advance to the Member States, in keeping with the relevant rules. Accordingly, only those Member States which show an utilisation rate above 7% have actually started to implement their programmes and to submit payment claims.
13. Turning to the trend as regards outstanding commitment appropriations, the situation is as follows (EUR bn):

Year	31.12.2000	31.12.2001	31.12.2002
Outstanding appropriations	4.233	3.902	5.257

The outturn thus shows a substantial increase in the volume of outstanding appropriations, from EUR 3.902 bn at the start of the financial year to EUR 5.257 bn as at 31 December 2002.

14. As to the volume of outstanding appropriations under old Community initiative programmes, as at 31 December 2002 it totals EUR 2.650 bn, part of which is still accounted for by programmes implemented during the pre-1994 programming periods which have not yet been closed. The figure for outstanding appropriations at the beginning of the financial year 2002 was EUR 2.822 bn. It has thus decreased only very slightly, reflecting the problems in closing earlier programmes.

2. The causes of the problems encountered

15. The principles governing the operation of the Structural Funds also apply to the Community initiative programmes: the Commission negotiates and approves the development programmes proposed by the Member States and then allocates the requisite appropriations to them. The Member States and their regions manage the programmes, implement them by selecting the individual projects and monitor and assess them. The Commission helps to monitor the programmes, checks the monitoring arrangements and commits and effects expenditure following certification.

- ***Overlapping programming periods***

16. According to Commission Communication COM(2002) 528 final of 20 September 2002 on the evolution of budget execution of the Structural Funds, in particular outstanding commitments, the low utilisation rate for payment appropriations, which reflects the slower than expected launch of new programmes during the first three financial years, can be attributed in part to the overlap between two programming periods in 2000 and 2001. The administrative and financial constraints linked to the need, as a matter of priority, to complete old programmes from the 1994-1999 programming period thus supposedly contributed to the delay in launching programmes under the new period. Since the cut-off date for the eligibility of payments under the 1994-1999 programming period was 31 December 2001, the Member States concentrated their efforts and their resources on completing those operations.
17. This analysis would stand up if outturn and the trend in terms of outstanding appropriations from old programmes had improved substantially; however, this is not the case. Moreover, the Commission acknowledges in the same document that 'the outlook for the old programmes is already worrying'.
18. By 31 August 2002 the Commission had received only a few final payment claims, most of which were not accompanied by the audit certificates without which payment cannot be made. The Member States thus failed to meet the deadline for submitting their claims, which is set at six months after implementation of the programmes, i.e. 30 June 2002, so that those claims will be dealt with at the earliest as from the financial year 2003, i.e. four years after the end of the 1994-1999 programming period.

- *The length of the programming procedures*

19. Against this background, the substantial under-utilisation of payment appropriations can be traced back to the late approval and implementation of the programmes and the unreliable nature of the financial forecasts. This assessment raises the issue of the length and complexity of the programming procedures and that of the failure on the part of the Member States to submit payment claims commensurate with the appropriations allocated to them.
20. For example, the INTERREG III guidelines for the period 2000-2006 were adopted by the Commission on 28 April 2000 and the Member States were invited to submit detailed proposals during the six months following the date of publication in the Official Journal, 23 May 2000.
21. Following the submission of projects by the Member States during 2000 and 2001, the relevant Commission departments began their preliminary assessment and then negotiated with the national and regional authorities concerned with a view to securing their approval. A total of 44 out of 53 transfrontier projects, eight out of 13 transnational projects and two out of four interregional projects were adopted only in 2001.
22. As regards URBAN II, 70 projects were submitted by the Member States only in the first half of 2001. The Commission then assessed, negotiated and approved them and committed the relevant appropriations during the second half of the year. Implementation properly began only in 2002, which explains why no payment claims have yet been submitted.
23. Implementation of the two other Community initiative programmes was delayed even further. The first EQUAL project was launched on 15 November 2001 and a second on 15 May 2002. As to the LEADER programme, 56 projects were not approved until 2001 and approval of the remaining 17 was postponed to the first half of 2002.
24. The payment claims will not therefore be submitted until the financial year 2003 at the earliest. It goes without saying that the low utilisation rate for payment appropriations during the first three years of the new programming period will have a substantial impact on trends regarding outstanding appropriations and the revision of the payments schedule as from the financial year 2004.
25. In conclusion, 2001 was devoted to the process of negotiating and selecting projects on the basis of the guidelines laid down the previous year, so that it was only in 2002 that a proper start was made with the implementation of the projects selected.

- *The Member States' financial forecasts*

26. According to the Commission, the under-utilisation of payment appropriations can

also be explained in part by the unreliable nature of the Member States' financial forecasts. Before 30 April each year, the Member States are required to submit updated forecasts regarding payment claims for the current and following financial years. These figures are intended to help the Commission estimate the volume of payment appropriations required on the basis of actual needs and thus identify in good time programmes likely to be affected by the application of the 'n+2' rule.

27. However, some Member States, in particular Italy, the United Kingdom and Portugal, submitted forecasts which exceeded actual payments by several billion euros. Taking its cue from the measures already introduced in connection with the EAGGF Guarantee, the Commission has proposed penalties should the difference between the forecasts and outturn exceed 25%. Your rapporteurs can only welcome such a proposal.
28. Accordingly, despite the introduction of new rules in 1999 the complexity of the procedures and the lengthy nature of the discussions held with the Commission with a view to finalising projects have made it impossible to speed up the adoption process.
29. In its 2001 report the Court of Auditors takes the view that the Commission has not managed to simplify the programming procedures and system. It also notes that the division of powers and responsibilities between the Commission and the Member States should be clarified.

3. Remarks

- *Impact of the simplification proposals*

30. The simplification measures recently proposed by the Commission will bear fruit only as from 2004 at the earliest. Can the Commission already put forward a detailed timetable for the implementation of these measures and the improvements expected in terms of the adoption timeframe and outturn?

- *Better coordination*

31. In keeping with the partnership principle, the rules provide for coordination not only between the Commission, the Member States and third countries, but also between all the other public- and private-sector partners involved in the programming and implementation of projects. This creates a substantial workload, involving exchanges of information and coordination, for all the parties involved.
32. In addition, the wide range of Community instruments and policies and the dispersal of responsibility over several Commission directorates-general create further obstacles. Your rapporteurs would like to be informed of the ambitious measures which the Commission plans to take both to improve coordination under the partnership and, as part of the overall administrative reform, to simplify internal organisational arrangements.

- *Assessment of the programmes*

33. Moreover, the approach employed in assessing programmes under the previous programming period is not always conducive to learning from past mistakes or problems, given that the new programming period is launched whilst the old programmes are still being implemented. In contrast, the mid-term review of the new programming period might enable the Commission to make adjustments and to take account of new developments, including the enlargement.

- *The mid-term review*

34. Against this background, and given that a proper start has only just been made on implementing Community initiative programmes in the 2000-2006 programming period, does it still make sense to carry out the mid-term review scheduled for 2003? In other words, how can the assessment indicators introduced by the Member States be used to take account of the progress achieved, given the late adoption and implementation of the programmes concerned?

- *Mobilisation of the performance reserve*

35. This provision does not apply to the Community initiative programmes.

- *Repayment of advances*

36. All or part of the 7% advances paid at the start of the programmes must be returned to the Commission if no payment claims are submitted within 18 months following the decision to make a contribution. The Commission has developed an early-warning system on the basis of which the authorities managing programmes can be given three months' notice in keeping with the principle of equal treatment. Your rapporteurs would like to know which, if any, programmes have been the subject of such a measure.

- *Automatic decommitment clause (n+2)*

37. Finally, it is vital to take account of the 'n+2' mechanism. In that connection, on 27 May 2002 the Commission approved a communication laying down the general rules governing the application of that clause, which stipulate that each annual instalment of appropriations for a programme co-financed by the Funds must be used before the end of the second year following the commitment. Save in exceptional circumstances, Member States will forfeit commitment appropriations left unused at the end of that period.
38. That rule was applied for the first time on 31 December 2002. As regards the Community initiative programmes, however, since no appropriations were committed in 2000 the 'n+2' clause will apply only as from 31 December 2003. This situation makes close monitoring of the utilisation of payments essential.

- *Assessment of budgetary requirements for 2004*

39. The unreliable nature of the forecasts drawn up by some Member States raises the issue of the method which the Commission will propose and employ with a view to calculating payment appropriations in the 2004 preliminary draft budget.
40. In addition, the low utilisation rate for payments during the first three financial years, between the start of 2000 and the end of December 2002, will have an impact on the future schedule of payments. Needs will necessarily be higher for the financial year 2004 and subsequent years, but how much higher? Working on the optimistic assumption that outstanding appropriations will be reduced by a quarter in 2003, i.e. by EUR 1.314 bn, and that payment appropriations will be utilised at a rate of 75% over that same year, i.e. EUR 1.710 bn, total needs in terms of payment appropriations in 2004 could rise to EUR 4.204 bn, i.e. roughly twice the amount provided for in the initial schedule. It would be interesting to hear the Commission's view on this matter.

- *Improvements required in the medium term*

41. On the eve of the enlargement, due consideration should also be given to the improvements required in the medium term. In that connection, the Commission should submit without delay its ideas concerning the regulation which will govern the next programming period with a view to specifying the objectives and guidelines for the future, whilst taking account of the current problems affecting the implementation of the Community initiative programmes.

4. Final considerations

42. In conclusion, the budgetary situation regarding the Community initiative programmes reflects to a large extent the ongoing, general problems affecting the implementation of the Structural Funds. Those Funds constitute a system for the redistribution of wealth via the Community budget with a view to reducing the disparities in development among the Member States and increasing economic and social cohesion.
43. When consideration is given to the future guidelines for the rules governing the next programming period, more ambitious financial equalisation measures should perhaps be proposed with a view to achieving more effective wealth redistribution among Member States at a lower cost in terms of programming, management, monitoring and assessment, in keeping with the principle of subsidiarity and the arrangements which some Member States already employ vis-à-vis their own regional or local authorities.

BUDGET EXECUTION OF THE STRUCTURAL FUNDS (OBJECTIVES 1, 2 AND 3)

1. The purpose of this working document is threefold: firstly to review the budget execution of the Structural Funds (Objectives 1, 2 and 3) as at 31 December 2002, one of the main problems being under-utilisation of payment appropriations; then to draw the attention of members of the Committee on Budgets to the payment appropriations required in 2004 in connection with preparation of the budget, and finally to explore possible avenues for improvement.

Budget allocations for Objectives 1, 2 and 3

2. The overall budget for the Structural Funds for the period 2000–2006 is €195 billion (1999 prices, excluding cohesion funds) primarily allocated to the three priority objectives. The remainder goes to Community initiatives, innovative measures and technical assistance. The breakdown of appropriations is as follows:
 - *Objective 1* : 69.7 % or €135.9 million for development and structural adjustment of regions lagging behind in development.
 - *Objective 2* : 11.5 % or €22.5 million for economic and social restructuring in regions facing structural problems.
 - *Objective 3* : 12.3 % or €24.05 million for the adaptation or modernisation of education, training and employment policies and systems.
3. A comparison between the budget execution as at 31 December 2001 and the position on 31 December 2002 (provisional figures as at 3 February 2003) shows that the problem with the Structural Funds relates exclusively to payment appropriations, as commitments are made automatically in annual tranches on the basis of programmes.

Budget execution for payment appropriations at 31 December 2002

4. In the case of commitments, it should be noted that the only current commitments are appropriations for the new programme for 2000-2006 whereas, in the case of payments, there are not only appropriations for the new period 2000-2006 but also for the previous period 1994-1999.

Table 1
Trend in the execution of payment appropriations from 31.12.2001 to 31.12.2002

<i>€ million</i>	<i>Payment appropriations authorised</i>	<i>Payments as at 31.12.2001</i>	<i>Payments as at 31.12.2001 (%)</i>	<i>Payments as at 31.12.2002</i>	<i>Payments as at 31.12.2002 (%)</i>	<i>Variation between the end of 2001 and 2002</i>
Obj.1	18.821	13.789	71%	15.369	82%	+11%
Obj. 2	3.405	3.138	70%	1.641	48%	-22%
Obj.3	3.360	1.630	51%	2.404	72%	+21%
Total	25.586	18.557	68,1%	19.414	75,9%	+7,8%

5. The figures from the Commission, in Table 1, show some improvement in the execution rate for payment appropriations, which rose from 68.1% in 2001 to 75.9% in 2002. There has been a fairly significant increase for Objective 1 from 71% in 2001 to 82% in 2002 and Objective 3, where the figure went up from 51% to 72%, whereas the execution rate for Objective 2 deteriorated from 70% in 2001 to 48% in 2002.
6. This situation is primarily attributable to the major delay in closing old programmes, whereas the execution rate for new programmes is gradually reaching a satisfactory level, in particular for Objective 1. It is also important to remember that for the previous programming period (1994-1999) the execution problems tend to be concentrated at the end of the period and continue for several years during the new period in the absence of any automatic decommitment mechanism. However, in the new programming period, the critical phase is the initial phase, which not only involves the approval of new programmes but also the need to execute payments rapidly otherwise they will be decommitted. The current period therefore coincides with this particularly sensitive stage in the cycle. Such a situation should not occur again in 2007 at the start of the next programming period as the 'n +2' rule will restrict the possible carryover to the end of 2008 of payment appropriations committed in 2006.
7. Furthermore, the trend in the execution of cumulative payments at the end of 2001 (years 2000 and 2001) and at the end of 2002 (years 2000 - 2001 - 2002) compared with the overall budget for the period 2000-2006 confirms this generally unsatisfactory situation, as shown by the following figures.

Table 2

Trend in the execution rate for payment appropriations for the period 2000-2006

<i>Situation as at</i>	<i>31.12.2001</i>	<i>31.12.2002</i>
Objective 1	11.1%	21.8%
Objective 2	7.7%	13.7%
Objective 3	11.1%	20.8%

In this context, it is also useful to give the breakdown of these figures by beneficiary country as at 31.12.2002.

Table 3

Execution rate for payment appropriations for the period 2000-2006 by objective and by country

	<i>Objective 1</i>	<i>Objective 2</i>	<i>Objective 3</i>
Austria	27.9%	16.5%	34.7%
Belgium	21.0%	8.6%	17.1%
Denmark		17.1%	13.0%
Finland	20.6%	21.5%	17.4%
France	14.4%	12.1%	21.4%
Germany	26.2%	16.7%	27.6%

Greece	16.0%		
Ireland	30.4%		
Italy	12.7%	7.0%	17.3%
Luxembourg		7.0%	17.5%
Netherlands	7.4%	11.3%	7.0%
Portugal	27.3%		
Spain	25.9%	26.4%	24.6%
Sweden	22.7%	22.5%	14.6%
United Kingdom	16.9%	8.6%	20.3%
Total	21.8%	13.7%	20.8%

As 7% is paid as an automatic advance, only those Member States with utilisation rates higher than 7% have started to apply their programmes in real terms by submitting reimbursement claims.

8. The unutilised appropriations as at 31 December 2002 amount to €6.172 billion compared with €8.676 billion for the previous financial year. Although the appropriations concerned will go back to the Member States, non-utilisation represents only a partial saving; because commitments have already been made, all that happens is that payment is carried over with a greater risk of the ceiling for payments in future years being exceeded. The Commission should say whether it intends to carry over appropriations or submit a supplementary and amending budget during the 2003 financial year. With regard to the amount which might be reimbursed to Member States, other uses might be considered. It would, for example, be possible to increase the performance premiums paid to those Member States that have spent most effectively.

Table 4

Payment appropriations not used as at 31.12.2002

€ million	Unused appropriations
Objective 1	3.452
Objective 2	1.764
Objective 3	956
Total	6.172

Outstanding commitments (RAL) under programmes for the period 1994-1999

9. According to the figures provided by the Commission, outstanding commitments for earlier programmes amounted to €12.040 billion as at 31 December 2002. The trend in outstanding commitments, which fell from 9.4% to 8.7% of the amount initially committed over the period 31 December 2001 to 31 December 2002, shows only a slight

improvement, reflecting the delay in closing the accounts for the period 1994-1999.

Table 5
Trend in outstanding commitments 1994-1999

<i>Million €</i>	<i>Amount committed</i>	<i>RAL as at 31.12.2001</i>	<i>Percentage of RAL as at 31.12.2001 compared to amount initially committed</i>	<i>RAL as at 31.12.2002</i>	<i>Percentage of RAL as at 31.12.2002 compared to amount initially committed</i>
Objective 1	98.722	8.025	8,1 %	7.515	7,6 %
Objective 2	23.374	3.462	14,8 %	3.077	13,2 %
Objective 3	15.811	1.471	9,3 %	1.448	9,2 %
Total	137.907	12.958	9,4 %	12.040	8,7 %

10. In its communication COM (2002) 528 final, the Commission admits that 'the outlook for the old programmes is already worrying'. Consequently, it is also interesting to give a breakdown of these figures by Member State. Not only are the figures for outstanding commitments only slightly lower, but different countries are affected to varying degrees, with those countries which are major beneficiaries of the Structural Funds being most concerned.

Table 6
Trend in outstanding commitments 1994-1999 by country

<i>Million €</i>	<i>Amount committed</i>	<i>RAL as at 31.12.2001</i>	<i>% of RAL as at 31.12.2001 compared to amount initially committed</i>	<i>RAL as at 31.12.2002</i>	<i>% of RAL as at 31.12.2002 compared to amount initially committed</i>
DE	22.473	1.922	8,6 %	1.857	8,3 %
AT	1.651	144	8,7 %	141	8,5 %
BE	2.143	290	13,5 %	206	9,6 %
DK	875	87	9,9 %	75	8,6 %
ES	35.603	2.618	7,4 %	2.480	7,0 %
FI	1.740	174	10,0 %	167	9,6 %
FR	15.474	1.916	12,4 %	1.524	9,8 %
GR	15.272	1.558	10,2 %	1.508	9,9 %
IE	6.313	427	6,8 %	351	5,6 %
IT	22.322	3.256	14,6 %	3.128	14,0 %
LU	105	23	21,9 %	22	21,0 %
NL	2.486	503	20,2 %	444	17,9 %
PT	15.355	985	6,4 %	908	5,9 %
GB	13.336	2.012	15,1 %	1.916	14,4 %
SE	1.444	252	17,5 %	252	17,5 %
Total	137.907	12.958	9,4 %	12.040	8,7 %

Outstanding commitments under programmes for the period 2000-2006

11. The trend in outstanding commitments shows that they have virtually doubled from €27.4 billion as at 31 December 2000 to €53.7 billion as at 31 December 2002. This will inevitably have an impact on the schedule of payments in forthcoming financial years, and particularly on assessing requirements in 2004.

<i>Position in € million as at</i>	<i>31.12.2000</i>	<i>31.12.2001</i>	<i>31.12.2002</i>
Objective 1	18.587,1	30.883,8	36.712,0
Objective 2	5.183,3	8.198,7	10.063,0
Objective 3	3.647,4	5.779,4	6.992,3
Total	27.417,8	44.861,9	53.767,3

12. Although it is true that, as the Commission regularly points out, a discrepancy between two financial years may be justified when launching major collective infrastructure projects, a situation of this kind at the start of the period primarily reflects delays in drawing up programmes and the difficulty of getting them off the ground, because of the cumbersome procedures and complex financial packages required in the case of a large partnership.

Payment appropriations required in 2004

13. At this stage of the procedure, it would be premature to give a precise assessment of payment requirements in 2004. However, on the basis of the available facts and reasonable assumptions, it is safe to say that payment requirements may be high. Although the 2002 financial year is the third for implementing programmes for the period 2000-2006, the figures provided by the Commission show that the utilisation rate for payment appropriations was only 75.9% as at 31 December 2002. Moreover, the execution of cumulative payments from the start of 2000 to the end of 2002 confirms this situation.
14. This under-utilisation of appropriations during the first three years, plus the high level of outstanding commitments from the previous period, means that the schedule of payments for forthcoming financial years will have to be revised. First of all, it will be necessary to look at the volume of payment appropriations initially provided for and not used which will have to be carried over to subsequent financial years, in particular 2004. Had there been no enlargement, there might have been a possibility of this under-utilisation of appropriations resulting in the ceiling laid down in the financial perspective being exceeded by 2006. However, the arrival of ten new countries in 2004 has led to a revision of the ceiling and it may well be the case that these additional appropriations will make it possible to absorb some old payments.
15. Secondly, it is crucial to clear the outstanding commitments from the previous period, which still amount to €12 billion and for which only one billion was paid in 2002 instead of the eight billion initially programmed. Finally, by how much will it be possible to reduce outstanding commitments for the period 2000-2006 in 2004? The level of outstanding commitments depends on the execution rate for payments. To reduce current

outstanding commitments by half it would already require €27 billion in payment appropriations in 2004.

16. It will also have to be seen what amount of payment appropriations will be required in 2004 to meet some of the commitments entered into during that financial year. On the basis of average execution in previous financial years, an amount of 4 to 5 billion euro seems reasonable. On that basis, the volume of payment appropriations required for next year will have to be increased to bring it into line with the revised payment schedule, which takes account of the factors outlined above, particularly as the 2004 budget will, for the first time, incorporate appropriations from the performance reserve and appropriations for payment of the 16% advance planned for the ten new countries. The rapporteurs would like to receive the Commission's assumptions and forecasts on this matter in the near future.

Impact of the 'n+2' clause

17. Under the new rules for execution of the Structural Funds, the Commission cancels commitments from a particular financial year if no reimbursement claims have been submitted to the Commission before the end of the second year following that in which the commitment was made, save in exceptional circumstances.
18. It will therefore be important to keep a close watch on the execution of payments. This rule applied for the first time on 31 December 2002. For the financial year 2002, it would appear that the impact of the 'n+2' clause has been fairly limited (0.4% of the allocation for 2000). The Commission has apparently agreed that, exceptionally, the advances granted by Member States to final beneficiaries will be made eligible and will therefore be included in the reimbursement claims received before 31 December 2002.
19. In the case of Italy, in relation to certification of expenditure submitted by the regions, the Commission has apparently accepted some projects that were in fact previously financed by other Funds (national or regional) and subsequently included in the regional operational programmes. The Commission should explain to us exactly what these 'coherent projects' are and to what extent it is prepared to accept them and whether it does not consider that such broad use of funds by certain regions is not damaging sound Structural Fund spending.
20. Subject to further confirmation, several aspects of the situation need to be clarified to gain a better understanding of the real reasons, to define the respective responsibilities of the various players and to assess the amounts involved. Finally, it is vital to know whether this exceptional situation will reoccur in 2003 as it will to some extent determine the level of outstanding commitments.
21. Commitments made in 2001 which have not given rise to corresponding payments in the intervening period should be cancelled at the end of 2003. Does the Commission consider that, on the basis of the current execution rate, there is a high risk of automatic decommitment for spending commitments for the financial year 2001? In other words, what will be the volume of payment commitments affected by the application of this rule on 31 December 2003? The Committee on Budgets needs to know as soon as possible

which countries, regions and programmes are likely to be affected by such cancellations. It is essential to have the relevant figures on a quarterly basis in order to ensure effective monitoring.

22. In conclusion, the Member States and the Commission must make a much greater effort to improve budget execution. The under-execution of payments reflects poor programming on the part of the Commission and the Member States, but if one considers the volume of appropriations involved and public expectations, this failure in execution is also damaging Europe's image in the countries of the Union, even if the latter bear some responsibility for the poor performance.

Prospects for improvement

23. The underlying causes of the problems have been analysed above: delay in start-up due to complex procedures, problems of implementation and management of new programmes, protracted closure of old programmes and unreliable budget forecasts made by the Member States are all factors that have been highlighted in earlier working documents.
24. Improvements are needed in the immediate future. Under the current regulatory framework, simplification measures should allow administrative structures to function better in the Member States, which share responsibility with the Commission. The latter has begun to make the management of the Structural Funds more effective by presenting a precise timetable for implementing the simplification measures proposed and drawing the attention of the Member States to the budgetary implications of the automatic decommitment rule.
25. In the medium term, the rapporteurs believe that we need to go further and explore new avenues. It would, for example, be possible to reduce the number of stages in the preparation of programmes in order to speed up their adoption and put in place effective instruments for improving the project implementation cycle. Some degree of standardisation in the preparation of programmes could be envisaged, the number of programmes could be reduced to make management easier and allow larger budgetary allocations.
26. Although the number of objectives and programmes has been reduced under the existing rules, there are still several Funds for regional policy objectives. This situation inevitably imposes a heavier administrative burden and exacerbates the problems of coordination. The number of funds should be reduced, in particular as they are now integrated in co-ordinated measures.
27. In its second report on reform of the Commission, the Committee of Independent Experts proposed, back in 1999, that a single directorate-general should be made responsible for both Objectives 1 and 2. The European Parliament also proposed that a single directorate-general and a single ministry in each Member State should carry full responsibility for the implementation of the Structural Funds. This would improve coordination between the many departments of the Community, national and regional administrations involved. The rapporteurs cannot but endorse this proposal.
28. Simplification and decentralisation not only involve reducing the number of stages required for the approval of programmes. It also means defining and negotiating new programmes in good time, i.e. before the start of the new programming period, and

making an effort to apply the principle of proportionality by adopting implementing rules appropriate to the size of the programmes.

29. It is also worth asking whether specific measures should not be taken to implement the Structural Funds in the candidate countries, bearing in mind that the first programming period is less than three years, by giving them the option of preparing their single programming documents as soon as possible in order to avoid a build-up of delays in the first year of implementation of their programmes.
30. In addition, the enlargement of Union to include ten new countries, whose combined wealth is less than that of an average-sized current Member State, drastically changes the regional aid issue. The population of the Union is set to rise by one third whereas its combined gross national product will increase by only 5%. Given this challenge, the rapporteurs believe that new approaches should be considered.
31. It might, for example, be appropriate to uncouple Community initiatives from Objectives 1, 2 and 3 by creating more adaptable and flexible instruments with enhanced budgets, for which those regions no longer covered by Objectives 1 and 2 after 2006 would be eligible.
32. One might also look at abolishing the zoning of Objective 2, which has a particularly long approval phase, and replacing it with across-the-board (employment, social exclusion, information society, etc.) and regional measures (problem districts in urban areas, island or mountain regions, depopulated or landlocked areas, border regions, etc.) while at the same time defining new eligibility criteria and stepping up checks on evaluation by means of performance indicators that put greater emphasis on outcomes rather than procedures.
33. On the eve of enlargement, the Commission should also present as soon as possible its ideas on the regulations governing the next period with a view to defining the future objectives and guidelines, taking into account the current execution problems, the need to strike a balance between the simplification measures required and the continuing need for checks, along with a compromise between the needs of old and new Member States, within the framework of a revamped structure for economic and social cohesion.

1. Legal framework and implementing rules

(a) Article 31 of Regulation No 1260/1999

1. The implementing rules on automatic decommitment (the 'sunset clause') for the Structural Funds are laid down in Article 31, which is reproduced in the annex, are somewhat complex in technical terms and can be summarised as follows:
 - commitments for assistance to be provided over a period of two or more years are made annually;
 - for such assistance, the first commitment is made when the Commission lays down its decision approving the assistance; subsequent commitments are made by 30 April each year;
 - when the first commitment is made, an advance representing 7% of the contribution towards the assistance is paid by the Commission to the paying authority;
 - the Commission automatically decommits any part of a commitment, minus the advance¹, for which it has not received an acceptable payment application, as defined in Article 32(3),
 - (i) either by the end of the second year following the year of commitment
 - (ii) or following the date of a subsequent Commission decision needed in order to authorise a measure or an operation;
 - these periods may cease to apply temporarily in the case of operations which, at the specified date of decommitment, are the subject of court proceedings or an administrative appeal having suspensory effects.
2. It should be noted that, pursuant to Article 56, second paragraph, of Regulation No 1260/1999, Article 31 is applicable only from 1 January 2000 onwards. The n+2 rule was therefore applied for the first time on 31 December 2002 for commitments made in 2000.
3. Article 31 must also be taken to be a 'lex specialis' relating solely to the Structural Funds unlike Article 77 of the Financial Regulation (FR), which lays down a 'sunset clause' - governed, admittedly, by less binding rules - for all budget commitments. The question is whether Article 77 of the FR might also apply to the Structural Funds in instances where the Article 31 'lex specialis' does not apply. If so, what would be the practical arrangements for implementing Article 77 of the FR? Would they differ from the implementing arrangements for Article 31?

¹ The procedure governing advances is laid down in Article 32(2), third subparagraph, of Regulation No 1260/1999.

4. These are purely legal questions, admittedly, but your rapporteur nonetheless takes the view that they should be raised, particularly since they might impact on budget implementation next year.

(b) The Commission's interpretation of Article 31 of Regulation No 1260/1999

5. In May 2002, in a communication to the Commission from Mr Barnier in agreement with Mrs Schreyer, Mrs Diamantopoulou and Mr Fischler, the Commission spelled out how it intended to interpret the n+2 rule, in particular as regards the following:

- **Date of application of the n+2 rule**

Where more than one fund is drawn on to provide assistance for the same programme, a specific commitment is made for each fund. In this instance, and provided that commitments are not made simultaneously, the date of the last commitment is taken to establish the date of automatic decommitment. Obviously, this is relevant only where the various commitments are made over two or more calendar years.

- **Admissibility date for payment applications**

Admissible payment applications sent by Member States by 31 October are normally settled by 31 December. However, the Commission regards applications as having been sent in time if the original documents have been sent by 31 December, as attested by the postmark.

- **Subsequent Commission decisions**

Where the Commission needs to take a further decision at a later date in order to authorise a measure or an operation (e.g. an aid regime), the two-year period will be calculated as from the date of that decision. It should be noted that according to the Commission's interpretation, and contrary to what is expressly stated in Article 32(2), second subparagraph, automatic decommitment will not take place until the end of the second year after the subsequent decision is taken.

- **Transfers between funds or between programmes**

There can be no transfers after the end of the year of commitment between commitments for different funds within a programme or between commitments for different programmes. However, current and future annual tranches may be modified at any time during a financial year, subject to compliance with the annual ceiling for expenditure, and provided that a request for modification is received by the Commission before 30 September of the year in question. Decommitted amounts regarding previous years' commitments may be reused only as an exceptional measure, in strict accordance with the provisions of Article 157, second paragraph (manifest error attributable solely to the Commission alone or in the case of force majeure).

(c) The n+2 decommitment procedure

6. In the communication referred to above, the Commission also presented the n+2

decommitment procedure, the main features of which are set out in Table 1.

Table 1 - n+2 decommitment procedure

Date	Year	Stage in procedure
30 April	n+2	Submission of payment forecasts (Article 32(7) of Reg. No 1260/1999)
May	n+2	Member States to be informed about the programmes potentially subject to automatic decommitment (on the basis of payment forecasts)
31 October	n+2	Deadline for payment applications for settlement by 31 December
Start of November	n+2	Member States to be informed about the programmes potentially subject to automatic decommitment (on the basis of payment applications)
31 December	n+2	Deadline for sending payment applications
End of February	n+3	Member States to be informed about amounts subject to the n+2 rule. Two-month period for Member States to challenge the figures. Corresponding commitments will be frozen.
End of April	n+3	Deadline for Member States' replies and submission of a revised financial plan
End of May	n+3	Member States to be informed about amounts for automatic decommitment Corresponding decommitment procedure

(d) Simplification of the rules - ministerial meeting of 7 October 2002

7. At Member States' request a ministerial meeting on simplifying the Structural Fund rules was arranged in October 2002, at which the Commission stated that it wished to implement an approach based on the principles of simplification, clarification, coordination, flexibility and proportionality in connection with the rules in force.
8. That approach has led the Commission to draw up a number of proposals intended to facilitate management by Member States, in particular as regards:
 - implementing Article 35(3)(g) of Regulation No 1260/1999, under which a Monitoring Committee may propose any adjustment to or review of assistance to the management authority, such adjustments to be subject to agreement by the Member State concerned and by the Commission, which must amend its decision on contribution from the funds accordingly;
 - the n+2 rule: the proposed simplification measures take up what was set out in the Commission communication of 27 May 2002;
 - treatment of advances (Article 32(1), third subparagraph, of Regulation No 1260/1999): the Commission has indicated its willingness, in this connection, to accept advances paid to final beneficiaries as eligible expenditure, provided that Commission Regulation No 1685/2000 of 28 July 2000 laying down detailed rules for the implementation of Council Regulation No 1260/1999 as regards eligibility of expenditure of operations cofinanced by the Structural Funds and Commission Regulation No 438/2001 on management and control systems are amended accordingly.
9. It should be noted that these Commission proposals give considerable latitude to all the actors involved (Monitoring Committee, management authority, Member States and the Commission) to lessen the possible impact of the n+2 rule. Since, furthermore, Commission Regulations Nos 1685/2000 and 438/2001 have not been amended, advances should, strictly speaking, be regarded as ineligible.

2. n+2 risk

(a) How risk evolves over time

10. Table 1 shows that amounts subject to the n+2 risk vary over time and will be:
 - relatively low in May of year n+2 if Member States' payment forecasts are overly optimistic;
 - relatively high in November of year n+2 if not many payment applications have been sent to the Commission by 31 October;
 - relatively low in February of year n+3, since the bulk of payment applications will have been sent just before the 31 December deadline;
 - potentially even lower in May of year n+3 if the Commission has agreed to take account of some or all of the contested figures.
11. Variability over time means that the Commission must monitor the n+2 risk regularly, in particular because Article 31(2), fourth subparagraph, requires it to inform the relevant Member State and paying authority in good time of amounts which might be subject to automatic decommitment.
12. Parliament asked to be regularly given breakdowns of the n+2 risk by Member State and by programme/objective. The Commission finally supplied all the information requested just before this document was drawn up. The forwarding of this information is a major step forward, for which Commissioner Barnier should be thanked. It is important to ensure that this is not a one-off and that the data supplied – particularly those on the current state of implementation by project – are updated on a monthly basis. Table 2 is a breakdown of the programme implementation rate by Member State and by objective as at 31 December 2002. Since each beneficiary Member State automatically receives a 7% advance, only Member States with an implementation rate of more than 7% have actually submitted payment applications to the Commission. Those figures should be compared with the 'n+2 risk' amounts given in Table 3.

(b) Implementation rate - breakdown by Member State and objective at 31 December 2002
 Table 2 - Implementation rate: breakdown by Member State and objective at 31 December 2002

	Objective 1	Objective 2	Objective 3
Austria	27.9%	16.5%	34.7%
Belgium	21.0%	8.6%	17.1%
Denmark		17.1%	13.0%
Finland	20.6%	21.5%	17.4%
France	14.4%	12.1%	21.4%
Germany	26.2%	16.7%	27.6%
Greece	16.0%		
Ireland	30.4%		
Italy	12.7%	7.0%	17.3%
Luxembourg		7.0%	17.5%
Netherlands	7.4%	11.3%	7.0%
Portugal	27.3%		
Spain	25.9%	26.4%	24.6%
Sweden	22.7%	22.5%	14.6%
United Kingdom	16.9%	8.6%	20.3%
Total	21.8%	13.7%	20.8%

(c) n+2 risk at 31 December 2002

Table 3 - n+2 risk at 31 December 2002 - € m (figures provided by the Commission)

Fund/ Member State	ERDF	FIFG	ESF	EAGGF	TOTAL
Austria					
Belgium		0.09			0.09
Denmark			0.6		0.6
Finland					
France					
Germany					
Greece					
Ireland				5 *	5
Italy			1.1		1.1
Luxembourg					
Netherlands			22	0.07	22.07
Portugal			1.07		1.07
Spain					
Sweden					
United Kingdom				2.4	2.4
Total	0	0.09	24.77	7.47	32.33

* The Commission points out that it could accept Ireland's citing of force majeure (foot-and-mouth epidemic), in which case the 5 m would have to be deducted.

(d) Analysis

13. In 2002, both the Commission and Parliament were concerned at the impact of the n+2 clause as at 31 December 2002. The very low implementation rates in Table 1, which indicate that some Member States had submitted no payment applications by 31 December 2002, show that that concern was legitimate. For Italy alone, in addition, the amounts at risk in June 2002 totalled more than € 750 m. How, then, can the fact be accounted for that the n+2 amount at risk, which ought in all probability to have been considerable at 31 December 2002, has now apparently been reduced to about € 32 m?

With regard to Italy, in connection with certificates of expenditure submitted by regions, the Commission has apparently also accepted statements of expenditure for certain projects which, in reality, were financed earlier by other national or regional funds and subsequently incorporated into regional operational programmes. The Commission should say what projects were involved and what the criteria were for acceptance of the expenditure statements.

Does the Commission not also think that so broad an interpretation may well undermine the quality of projects financed under the Structural Funds?

14. The Commission puts forward three explanations based on accounting, legal and operational aspects:

- **Accounting aspects**

According to the Commission, any attempt to make sense of the n+2 during a given year must be considered extremely carefully, given that the bulk of payment applications are submitted by Member States at the end of the year. During a year, virtually all that can be done is to assess the maximum risk, while bearing in mind that the amount calculated will, at best, be tentative. That explanation is not completely wide of the mark. In your rapporteur's view, however, it is essential that Parliament - in particular the portfolio committees and, specifically, the two budget-related committees - be kept informed on a regular basis not only about the definitive impact of the n+2 rule, but also about how the process has evolved in its entirety.

- **Legal aspects**

The Commission points out that an opinion by its Legal Service has prompted it to reconsider its position as regards advances paid by Member States to final beneficiaries and to allow them as eligible expenditure under Regulation No 1685/2000 and Article 32 of Regulation No 1260/99. Firstly, is it for the Commission, in its capacity as 'executive authority', to interpret Articles 31 and 32 in such a way as to make the n+2 rule meaningless? Furthermore, it would be helpful in this connection if the opinion of the Commission's Legal Service were forwarded to Parliament. Eligibility in respect of advances was, apparently contrary to the view of some Commission departments, first granted to one Member State and subsequently extended to the 15. Greater legal clarity would make matters more certain for the Member States and the regions. Secondly, as

already pointed out, Parliament has no figures as to what proportion of n+2 amounts at risk the Commission ultimately regarded as eligible. We can only assume, pending further information from the Commission, that significant amounts are involved.

- **Operational aspects**

The latitude afforded by a flexible approach as regards implementation of Article 34(3) and 35(3) of Regulation No 1260/1999 has enabled Member States to make adjustments to programme complements, in particular in order to avoid applying the n+2 rule, by redirecting allocations to assistance operations with a better implementation rate. It should be pointed out in this connection that such adjustments, while being fully in line with the rules, are not directly designed to prevent automatic decommitment, the very purpose of which is to force the actors involved to manage programmes more rigorously.

3. Final considerations

15. Applying the n+2 rule as at 31 December 2002 will ultimately have a negligible impact. After all, Structural Fund commitments in the 2000 budget totalled more than € 29 bn, or, allowing for the carryover of commitments from 2000 to subsequent years, € 18 bn. In the case of either amount, the projected decommitment would represent a tiny percentage of that year's budget.
16. Without disputing the accuracy of these figures in accounting terms, we are entitled to ask about the impact which a broad interpretation of Article 31 by the Commission may have had. The Commission should provide Parliament as soon as possible with exhaustive information on:
 - the n+2 risk as at 31 December 2002, broken down by programme and country;
 - the Commission Legal Service's opinion on the eligibility of advances under Article 32;
 - the impact of that interpretation on the n+2 amounts at risk as at 31 December 2002;
 - the amounts involved in connection with adjustments to programmes under Article 35(3)(g).
17. We may also ask ourselves whether it would not be appropriate to give consideration to amending Articles 31 and 32 rather than partially negating the current rules.
18. At all events, it will be helpful to monitor how the n+2 risk evolves, as at 31 December 2003, in so far as the derogation concerning advances is not extended. Accordingly, the Commission should also forward to Parliament on a regular basis, and at least once a quarter, a comprehensive update on payments, broken down by programme and by Member State.
19. Your rapporteur considers that there is a sufficient basis at this stage for Parliament to examine this question and take a stance not on the legal aspects, but, rather, on the potential impact on the budget of strict compliance with the rules in force, in particular in respect of high-risk regions and Member States.

Regulation No 1260/1999

Article 31

Budget commitments

1. Community budget commitments shall be made on the basis of the decision to grant a contribution from the Funds.
2. Commitments in respect of assistance to be carried out over a period of two or more years shall be as a general rule effected annually. The first commitment shall be made when the Commission lays down its decision approving the assistance. Subsequent commitments shall be effected as a general rule by 30 April each year.

The Commission shall automatically decommit any part of a commitment which has not been settled by the payment on account or for which it has not received an acceptable payment application, as defined in Article 32(3), by the end of the second year following the year of commitment or, where appropriate and for the amounts concerned, following the date of a subsequent Commission decision necessary in order to authorise a measure or an operation or by the end of the deadline for the transmission of the final report referred to in Article 37(1); the contribution from the Funds to that assistance shall be reduced by that amount.

The period for automatic decommitment referred to in the second subparagraph shall cease to run for the part of the commitment corresponding to operations which, at the specified date of decommitment, are the subject of a judicial procedure, or an administrative appeal having suspensory effects, subject to the Commission receiving prior information giving reasons from the Member State concerned and to information being issued by the Commission.

In any case, the Commission shall in good time inform the Member State and the paying authority whenever there is a risk of application of the automatic decommitment provided for in the second subparagraph.

If this Regulation enters into force after 1 January 2000, the period for automatic decommitment referred to in the second subparagraph shall be extended for the first commitment by the number of months between 1 January 2000 and the date of the decision on the contributions from the Funds referred to in Article 28.

3. For assistance to be carried out over a period of less than two years the total amount of the contribution from the Funds shall be committed when the Commission adopts its decision granting a contribution from the Funds.

28 May 2003

**OPINION OF THE
COMMITTEE ON REGIONAL POLICY, TRANSPORT AND TOURISM**

for the Committee on Budgets

on Structural Funds: evaluation of the amounts outstanding (RAL) as well as the needs for 2004
(2002/2272(INI))

Draftsman: Samuli Pohjamo

PROCEDURE

The Committee on Regional Policy, Transport and Tourism appointed Samuli Pohjamo draftsman at its meeting of 21 January 2003.

It considered the draft opinion at its meetings of 29 April and 21 May 2003.

At the last meeting it adopted the following conclusions by 46 votes to 1, with 1 abstention.

The following were present for the vote: Gilles Savary (vice-chairman and acting chairman), Helmuth Markov (vice-chairman), Samuli Pohjamo (draftsman), Sylviane H. Ainaridi, Emmanouil Bakopoulos, Rolf Berend, Graham H. Booth (for Rijk van Dam), Philip Charles Bradbourn, Christine de Veyrac, Den Dover (for Luigi Cocilovo), Garrelt Duin, Alain Esclopé, Giovanni Claudio Fava, Markus Ferber (for Felipe Camisón Asensio), Jacqueline Foster, Mathieu J.H. Grosch, Catherine Guy-Quint (for Danielle Darras), Konstantinos Hatzidakis, Ewa Hedkvist Petersen, Dieter-Lebrecht Koch, Brigitte Langenhagen (for Georg Jarzembowski), Giorgio Lisi, Nelly Maes, Sérgio Marques, Emmanouil Mastorakis, Bill Miller (for John Hume), Enrique Monsonís Domingo, Camilo Nogueira Román, Josu Ortuondo Larrea, Karla M.H. Peijs, Wilhelm Ernst Piecyk, Joaquim Píscarreta (for Francesco Musotto), Giovanni Pittella (for Juan de Dios Izquierdo Collado), Bernard Poignant, Adriana Poli Bortone, José Javier Pomés Ruiz, Alonso José Puerta, Marieke Sanders-ten Holte (for Luciano Caveri), Ingo Schmitt, Elisabeth Schroedter (for Jan Dhaene), Brian Simpson, Renate Sommer, Dirk Sterckx, Ari Vatanen, Herman Vermeer, Mark Francis Watts, Brigitte Wenzel-Perillo (for Dana Rosemary Scallon) and Jan Marinus Wiersma (for Ulrich Stockmann).

CONCLUSIONS

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

1. Discovers with regret that as of 1 March 2003 and with only one month remaining before the deadline for request for final payments for the 1994-99 programming period, there were still some 300 programmes for which the final claims had not been received for the European Regional Development Fund (ERDF) alone; believes that instances of claims relating to exceptional circumstances must be assessed with caution and not be allowed to constitute an excuse for poor and inefficient implementation;
2. Welcomes the fact, however, that almost all the final payments had been requested by 31 March 2003;
3. Reiterates its belief that the n+2 financing rule, introduced for the 2000-2006 programming period, is necessary in order to guarantee proper implementation in terms of the relationship between commitments and payments, and hence to eliminate abnormal RAL, and must therefore be complied with;
4. Notes that the application of n+2 implies that of some €12bn committed for all the structural funds in 2000, only €521m remained to be paid at the end of 2002 and thus nominally subject to decommitment; notes moreover, that the vast majority of these outstanding payments (around €400m) relate to Financial Instrument for Fisheries Guidance (FIFG) commitments;
5. Is aware that actual decommitments in respect of sums due to have been paid by 31 December 2002 will, as a result of exceptions under so-called 'aid schemes', be substantially less than the €521 m outstanding and are estimated by the Commission at only €50 m, 0.3% of the €12 bn total; urges the Commission to be vigilant so as to ensure that the possibility of advance payment subject to future justification does not become a device for the avoidance of n+2 obligations and that the effort to guarantee rapid and proper implementation does not adversely affect the qualitative level of expenditure; and suggests that the Commission be required to submit an annual statement on this matter to the budgetary authority;
6. Notes that there is currently €14.4 bn outstanding payments in respect of 2001 commitments, implying a high risk of decommitment at the end of 2003; is concerned that several Member States have significantly poorer payment records than the rest; restates, therefore, its earlier appeal to those Member States with the worst payment backlogs to urgently assess their administrative procedures so as to address this problem;
7. Believes that financial forecasting on payment appropriations by most Member States must still be improved;
8. Considers that all steps should be taken to ensure that the system for financing and operating the structural funds should be as simple and flexible as possible; stresses nevertheless the importance of maintaining strict checks on the eligibility of projects and

on adherence to the principle of additionality; believes therefore that it is necessary for all parties to strive to achieve a fair balance between simplification and supervision;

9. Recognises that enlargement will present a significant challenge, particularly at an administrative level and that 2004 will be a crucial year for the integration of the candidate countries into the main structural funds; is aware, moreover, that following enlargement there will remain only two and a half years of the current programming period and that as a consequence there will have to be more rapid implementation of programmes than for the current Member States; considers, nevertheless, that these pressures should not translate themselves into a RAL problem;
10. Takes note of the Commission's efforts to eliminate the problem of abnormal RAL; believes that the difficulties associated with proper budget implementation too often distract from the essential aim of structural policy, which is to promote economic and social cohesion and sustainable development;
11. Stresses the need to make the utmost effort to eliminate abnormal RAL and ensure at all times that funds are implemented properly and punctually in order to concentrate more fully on the quality of projects and on the overall impact and effectiveness of the structural funds.