



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 5.7.2001
COM(2001) 378 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

**THE RESULTS OF THE PROGRAMMING OF THE STRUCTURAL FUNDS FOR
2000-2006 (OBJECTIVE 1)**

[SEC(2001) 1140]

This communication forms part of the Commission's work programme for 2001. It includes the main features of the Community assistance programmed for the regions eligible under Objective 1 during the new programming period (2000-2006), with particular attention to an assessment of the negotiations with the Member States and the value added by the Community.

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The annexes are included in the Commission staff working paper SEC(2001) 1140

EXECUTIVE SUMMARY

The Berlin European Council decided to allocate €195 billion to the Structural Funds for 2000-06 of which almost 70% (€127.5 billion) would go to the regional development programmes under Objective 1. These resources should result in a significant increase in GDP in real terms by 2006 in the Member States concerned (6% in Greece and Portugal, 2.4% in Spain and 4% in eastern Germany).

In addition, by 2006 the new programmes will have given a powerful boost to investment (by 20% in Greece, 14% in Portugal and 6% in eastern Germany).

That is why the Commission believes it important to give an account of the results of the negotiations in which it has engaged with the national and regional authorities.

The 2000-06 programming period offers fresh challenges and fresh opportunities for the Objective 1 regions (those where per capita GDP is less than 75% of the Community average), where disparities with the rest of the European Union remain considerable despite the progress achieved over the last ten years.

Significant progress in convergence is expected, particularly in the least developed regions

The programmes should enable the economies of the least prosperous countries and regions to continue to catch up, thanks to the more favourable economic situation in the Union as a whole and a more effective combination of the efforts of the Member States with those of the Union. By encouraging investment, the Structural Funds help to set the conditions for sustainable long-term growth. The estimated macro-economic impact in terms of growth in GDP are significant, especially for Greece and Portugal.

The value added by negotiations: better quality plans, some important strategic adjustments

The indicative strategic guidelines adopted by the Commission in July 1999 provided a useful basis for negotiations on the plans and programmes. They established the basis for the discussions on the nature of the choices made by the Member States in terms of priorities and strategic objectives and the corresponding allocation of resources.

Systematic and integrated *ex-ante* evaluations have helped to increase the coherence and quality of plans, mainly by improving the links between the diagnosis of socio-economic and environmental problems and the formulation of priorities.

In general, the results of negotiations reflect a greater effort to concentrate assistance on the four priority areas in the Objective 1 regions: transport infrastructure, research and innovation, the information society and the development of human resources. Furthermore, in the four countries concerned (Greece, Spain, Ireland and Portugal) the establishment of strategic reference frameworks should help to ensure greater consistency between ERDF and Cohesion Fund assistance in the fields of transport and the environment.

Improvements to the system of implementation which are still to be consolidated

The effectiveness of assistance will be closely dependent on compliance with the conditions for implementation and management of the programmes decided jointly with the Member States. From this point of view, considerable progress has been made, particularly as regards the partnership related to the preparation of the plans and the establishment of systems for more rigorous monitoring, surveillance and evaluation. The Commission was able to play an active role in introducing these provisions by defining methodological guidelines and conducting discussions through the partnership. In particular, the introduction of the performance reserve has been the subject of close monitoring from the programming documents through to the programme complement, in an effort to ensure that both the criteria selected and the arrangements for allocating the funds help to achieve maximum effectiveness and transparency.

Although the outcome was generally satisfactory, attention should be drawn here to certain difficulties:

- (1) The five-month period allowed for negotiating programming documents proved to be too short (average time taken to conclude programme adoption: eight months to one year), reflecting the thorough nature of the discussions between the Commission and the Member States in pursuit of improved quality. There is a trade-off between the time taken for the negotiations and the quality of the outcome, particularly as regards aspects such as the provision of adequate management and surveillance systems, the integration of evaluation into decision-making, consultation through the partnership and compliance with Community policies, particularly those on the environment and competition rules.

The Commission will be seeking to ensure that the Member States honour their commitments in this respect.

- (2) The programme complement has sometimes been regarded as a separate phase of programming although its role is to clarify the content of the programme priorities through a detailed description of the measures and quantification of the associated objectives and indicators, including for the performance reserve. In some cases, this has caused management difficulties because the authorities responsible for preparing the programme complements were separate from those which had negotiated the plans and programmes.
- (3) In several Member States, the general guidelines for the new systems for management, surveillance and monitoring were defined but the details of how these systems are to be implemented and made fully operational remain to be specified.

The Commission invites the Member States to step up their efforts in these areas of vital importance for effective use of the Structural Funds, in line with the new implementing regulations and particularly the computerised management systems (also to help avoid delays in interim payments). The Commission intends to undertake a comparative analysis of financial management and control systems which should help to identify best practice and to promote new solutions to problems arising in this field.

- (4) Despite the progress made as regards partnership during the preparation of the plans and programmes, it is not always clear how this principle will be applied during implementation of the assistance.

The Commission will seek to ensure that the operation of the partnerships is sound. It should be as widely drawn as possible and more pro-active and responsible as regards the management of assistance.

These less positive aspects do not call into question the validity of the principles set out in the regulations governing the Structural Funds. The results-oriented management model, one of the pillars of this reform, is demanding and difficult to implement but it has already helped to increase the transparency and quality of programming in 2000-06. The mid-term evaluation of the programmes will show the extent to which this had an effect on implementation. The Commission will draw the lessons from this, especially with regard to the reconciliation of simplicity, quality, effectiveness and transparency. Such lessons should help in the forthcoming exercise to prepare programmes for new Member States and for the next generation of Structural Funds programmes after 2006.

INTRODUCTION

On 24 and 25 March 1999, the Heads of State and Government meeting in Berlin decided to allocate €213 billion to structural measures in the Union between 2000 and 2006. Of that amount, €195 billion (at 1999 prices) was to go to the 15 existing Member States through assistance from the Structural Funds and of that figure 69.7% was earmarked for the regions eligible under Objective 1. These regions are located in 13 Member States: all except Denmark and Luxembourg.

The main aim of the revision of the regulations governing the Structural Funds approved by the Council in June 1999 was to make Community structural assistance more effective without compromising the basic principles of the earlier reforms from 1988 to 1993. The **main innovations** introduced by the amended regulations concerned:

a) concentration of the priority Objectives of the Structural Funds: the seven Objectives were reduced to three;

b) strict application of the criterion of concentration (the 75% eligibility rule)¹

c) introduction of a system of transitional support for regions or areas which were eligible under the regionalised Objectives in 1994-99;

d) introduction of a performance reserve: 4% of the commitment appropriations in each indicative national allocation would be set aside in the performance reserve;

e) enlargement and strengthening of the partnership to increase added value. The partnership operates in accordance with the subsidiarity principle: selection of the partners remains a matter for the Member State;

f) simplification of the system of programming by incorporating major projects and global grants into the other forms of assistance;

g) decentralised programming of measures: the Member State or managing authority adopts the programme complement - and not the Commission - after it has been agreed by the Monitoring Committee;

h) changes to the rules on financial management which now have a clearer and simpler basis to permit better implementation of the budget and to establish a more effective link with programme realisation (“n + 2”);

i) the Member State takes general responsibility for implementation, monitoring and the effectiveness of assistance, so that there is a precise definition of the specific responsibilities of the managing authority, the Monitoring Committee and the authorities responsible for surveillance;

j) evaluation is no longer regarded as a separate exercise but, while remaining independent, forms an integral part of the process of preparing, implementing, monitoring and revising programming: it is becoming a management tool;

¹ The Commission has proposed a Council Regulation on the NUTS (Nomenclature of statistical territorial units).

k) closer links between structural policies and the European Employment Strategy and the priorities of the National Action Plan for Employment;²

l) the legislation for rural development measures was extensively amended and simplified by Regulation (EC) No 1257/1999 with measures to be funded either by the Structural Funds or the EAGGF Guidance Section in Objective 1 regions and by the EAGGF Guarantee Fund elsewhere;

m) implementation of a global system for information and early monitoring of compliance with Community rules on State aids.

I - ASSESSMENT OF NEGOTIATIONS

I - 1 - Quality of the plans submitted by the Member States

In general, the quality of the programming documents submitted by the Member States was higher than for the previous period, although it sometimes fell short of what might have been expected. This higher quality was partly due to the intense preparatory work on their programming documents undertaken by the Member States with the Commission.

The discussions with each of the Member States had two aims:

- to fill the gaps in information missing from the programming documents, especially to meet the quality requirements set out in the new regulations;
- to find the best possible compromise among the various priorities for assistance so that the programmes achieve maximum impact.

The quality of the documents presented by the Member States was not uniform. In general, even where documents met the minimum requirements of the regulation - which was often the case - the quantification of the objectives at the level of the priorities and items of assistance was inadequate, as was the *ex-ante* evaluation, particularly as regards the environment and equal opportunities. These weaknesses had to be remedied during negotiations and sometimes in the other programming documents at later stages (programme complements). This was particularly true for Finland and Portugal.

In all, of 116 programmes, the Commission considered three (in Germany, Italy and the United Kingdom) unacceptable because vital elements were missing.

In some cases, the Commission had to make considerable efforts to secure further information from the Member States to prepare the programming documents. This was particularly true of the Spanish plan and some French programming documents. The extent of the changes in the field of rural development under the EAGGF was generally not fully appreciated. This resulted in plans which lacked sufficient detail to allow them to be assessed as required by the Regulation.

The plan for Spain did not show in a clear way how the development strategy at national level linked with the strategies proposed at regional level. However, with the cooperation of the

² Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on European Social Fund support for the European Employment Strategy, COM(2001) 16 final.

Spanish authorities, some substantial improvements were able to be made to the programmes and the general assessment for Spain is considered satisfactory.

In some cases, the quality of documents submitted varied widely even within the same Member State. In Germany, for instance, although preparation of the programming documents was based on the *ex-ante* evaluation, the draft programmes for the regions of Brandenburg, Saxony-Anhalt and Thuringia contained substantial gaps which took a number of months to remedy. Within the United Kingdom, the quality of the initial documents varied widely, ranging from the higher quality achieved for Cornwall and the Isles of Scilly to that for Northern Ireland, initially declared inadmissible by the Commission, where the background conditions were sometimes difficult.

I - 2 Partnership in the preparation of the programmes

The establishment of a decentralised, broad and effective partnerships is a key factor for the success of the programmes supported by the Structural Funds. The partnerships enable synergies to be maximised, the commitment of all involved at regional and local level to be strengthened and contributions from a wide variety of sources to be mobilised.

Application of the principle of partnership has changed considerably since the first generation of programmes when it was more limited in scope. Since then, the situation has changed significantly perhaps most notably in Spain, Germany and Italy.

At the beginning of the current period, a feature was that the different programming documents were sent for consultation to the partners likely to be involved in the Monitoring Committees. In general, the involvement of the partnerships at an early stage was more in evidence than in the past, perhaps particularly in Germany.

However, it should be noted that the quality of the reporting to the Commission on the consultation process and its results was very variable, with many Member States simply recording that it had taken place, without indicating when, how or even with whom consultation had been engaged. The types of partners involved were far from uniform, even sometimes varying from one programme to another within the same Member State.

Partnership appears to be particularly well developed in countries such as Ireland, the United Kingdom, Finland and Sweden. The latter can be cited as an exceptional case since, in addition to the more traditional forms of implementation, websites have been set up to enable the public to interact with the authorities as programmes develop. In contrast, the Commission has found that in some Member States, partnership remains rather formal and institutional (Greece, Portugal and Spain), with, for example, the presence of the socio-economic partners but only in a limited capacity. The associations and bodies active in the areas of the environment and equal opportunities in general played a more limited role in the preparation of programming.

As a rule, the more extensive the partnership in the preparation of the programming documents, the more the process was long but perhaps more fruitful. However, in some instances, a broad and active partnership also meant that programming took longer since any changes that were decided required new rounds of discussion and consensus building. This was in evidence in the UK.

The amount of information provided by the national or regional authorities about the participation by the partners in the Monitoring Committees also varied very considerably

from one programming documents to another, with some simply noting that the partners were associated. The same was true of the rights granted to the partners in those Committees: they often have a different status from the other members, either because they may not vote or may vote only in certain circumstances or because they attend only on a consultative basis or for information.

It is to be hoped that the decentralisation of programme management to the Member States will militate in favour of the involvement of partners other than the national authorities, particularly in the Monitoring Committees with their expanded role. Such an approach should mean that the specific knowledge which these partners have of their region, and its socio-economic problems and opportunities, can be put to good use in operational terms. The mid-term evaluation should help in the assessment of the impact of the partnership in this regard.

I - 3 Quality and usefulness of *ex-ante* evaluations

The purpose of the *ex-ante* evaluation is to help in the design and formulation of the plans and programmes. It is organised by the authority responsible for programming in the Member State using a frame of reference laid down by the Commission.

All Member States complied with this statutory requirement but used a variety of procedures, which meant that the role played by *ex-ante* evaluation varied somewhat.

Most Member States made use of an independent external assessor. Greece, Italy, Ireland, Northern Ireland and Nord/Pas-de-Calais used an internal evaluation structure which was, however, independent of the authorities responsible for programming. Spain was the only country to use an internal evaluation amounting effectively to a self-assessment.

Most of the programmes received annexed the evaluation report and often a summary in the form of a specific chapter of the plan describing the evaluation work.

The quality of the *ex-ante* evaluations varied both between and within Member States. The more systematic approaches included that for Italy, where the *ex-ante* evaluation undertaken under the auspices of the evaluation unit in the Ministry of the Treasury formed an integral part of the development plan for the Mezzogiorno. It was based on the following points: a detailed SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis at the level of the priorities and sectors; development of an *ad hoc* model to estimate the impact of the plan and an analysis of internal consistency to ensure that resources were correctly allocated between priorities.

In Ireland, the *ex-ante* evaluation process was carried out on the basis of preliminary work to identify the development priorities for 2000-06. This evaluation confirmed the strategy and the priorities proposed in the plan. However, it drew attention to a number of points, including the weak links between the priorities and the Objectives of the plan and the weight given to the productive sector because of the favourable economic circumstances for private investment, a weight which was considered excessive by the assessors.

It is, however, difficult to assess the role actually played by the *ex-ante* evaluations because the Commission was not present to witness the outcome of discussions between the Member States and experts involved. A variety of factors suggest that a substantial contribution was made by the assessors to drafting the plans for the new period, which were in general of higher quality than in the past as regards the strategy adopted and more transparent as regards the goals to be achieved:

- the best constructed plans were those presented by the Member States which had made greatest use of dialogue with the assessors. This was particularly true of the UK programming documents, where *ex-ante* evaluation provided essential support for the negotiations;
- overall, *ex-ante* evaluations played a triple role, providing criticism, particularly of past experience, advice for the preparation of the plan and justification of the priorities and goals selected, providing useful extra information over and above that already available in the programming documents;
- in general, the evaluation approach was also followed at the level of the operational programmes, so permitting verification of consistency between the guidelines in the plans and the priorities selected in the programmes.

The lack of *ex-ante* evaluation was a reason why the Commission rejected a draft programme (the “Transport” operational programme in Italy).

Most of the plans included a detailed analysis of the starting position as regards the horizontal priorities such as the environment and equal opportunities but, although the analyses of the impact expected from the strategy and assistance were sometimes very detailed (as in the case of the environmental evaluation in the plan for Spain resulting from the contribution of the environmental authorities), most were not up to the quality required by the regulation. In the later phases of programming, evaluations will have to be more detailed and based on precise information on the types of measures envisaged and the extent to which they are integrated into the plans and programmes in question.

I - 4 Negotiating schedule

The new programmes were decided within the partnership on the basis of the programming documents proposed by the Member States.

Of the 123 programming documents received by the Commission,³ the time required for approval was as follows:

- only three programming documents were adopted within the five months allowed by the Regulation;
- between five and eight months: 20 programming documents;
- between eight months and one year: 71 programming documents;
- more than one year: 29 programming documents.

Adoption of these programmes took longer than the five months foreseen by the rules. Further time was normally essential to meet the quality requirements imposed by the regulation, particularly with regard to financial management, detailed quantified objectives, the *ex-ante* assessment of the impact expected, environmental information and compliance with the principle of additionality. When asking for additional information and clarification, the

³ Seven Community support frameworks, 19 single programming documents and 97 operational programmes.

Commission simultaneously suspended the deadline for a time considered reasonable time for the Member States to reply.

In the case of Belgium, the programming document was approved within the statutory period of five months on the basis of an undertaking by the Belgian authorities to provide the Commission with a whole series of further information and indicators when they submitted the programme complement. Since the Commission has not yet received this information, it has suspended its opinion on the programme complement.

Only in exceptional cases was the statutory period of five months adequate. These exceptions and instances where the time did not greatly exceed five months were the result of preparation and particularly intense negotiations with the national and regional administrations. This was the case in Sweden, Finland, Portugal and Austria.

Only a few Member States met the statutory deadline of three months to send the programme complement to the Commission. As of mid-June 2001, of the 116 programmes (SPDs and OPs), a programme complement existed for only 42. In some of these programme complements, the amounts had not been broken down by the level required in the standard categories of fields of assistance. The Commission is continuing to insist on this point with the Member States so that it can have an accurate view of the types of projects financed by the Funds.

I - 5 Taking account of the Commission's July 1999 guidelines and adjustment of national priorities.

It is mainly up to the Member States and the regions to define their development strategies in compliance with Community priorities.

The indicative Guidelines adopted by the Commission in July 1999 were intended to help the national and regional authorities to prepare their programming strategies. They set out the Commission's priorities based both on past experience in programme implementation and on other guidance for those Community policies affecting sectors linked to EU structural policies. This means that the extent to which these strategic priorities are taken into account is a major component of the added value by the Community.

During the negotiations, the Commission was concerned that the indicative Guidelines should be followed to the greatest possible extent by the Member States, particularly with regard to vocational training, the information society, the environment and sustainable development, help for small firms, support for declining rural areas and urban development.

Although the extent to which the Guidelines were taken into account varied depending on the Member State and the nature of the programmes, they did achieve useful adjustments to national priorities in programming for 2000-06. This was true of the initial proposals made by Spain, Greece, France and Italy. In the case of Spain, there was also a change in relative terms in the priorities as compared with previous periods. Development options were adjusted by giving priority to measures to develop a knowledge society (innovation, R&D, the information society) and the environment (environment, natural surroundings, water resources), mainly at the expense of those concerning transport and energy networks. The measures favoured now account for 7.9% and 16.1% respectively of the total resources in the current Community support framework as compared with 4.7% and 11.7% in the previous one.

In the specific case of Greece, the development plan submitted to the Commission had a relatively traditional focus on public works. While recognising the importance of basic infrastructure and a continuing, if declining, role for direct subsidies, the Commission sought to increase the emphasis on investment in human resources and on the effects of programming on quality of life more widely.

Elsewhere, adjustments were more minor. For example, in Austria, the Commission insisted during negotiations that special attention should be paid to developing business applications. There is a special measure for information technology and telecommunications (networks and applications) to develop IT activities concentrating on the development and implementation of services and applications and networks for use in business. In Portugal, the plan generally took account of the Commission's Guidelines. However, a substantial adjustment was made to emphasise the information society and the development of human resources.

The documents proposed by other Member States (e.g. Sweden, Finland, Germany, Ireland and the United Kingdom) took the Commission's Guidelines fully into account. In Sweden the programmes supported and supplemented the national Action Plan for employment which itself forms part of a strategy which has yielded good results in terms of jobs. In Ireland, the European guidelines for employment are an important component. In Sweden, Finland, Ireland and Northern Ireland, sustainable development and equal opportunities for men and women are general goals which apply to all measures.

In conclusion, the Commission Guidelines have generally provided a helpful programming instrument, particularly in the case of the Community support frameworks, and at the level of the selection of priorities. Their role, however, tends to become less central as programming becomes more detailed, in the operational programmes and programme complements.

I - 6 Taking account of the ESDP guidelines and action framework for sustainable urban development

The aims of many of the Objective 1 mainstream programmes are consistent with the policy aims and options of the European Spatial Development Perspective (ESDP). Although most programmes do not refer specifically to the ESDP, in around one quarter of them there is a specific reference, either in general terms or with reference to particular parts of the document. This is so especially in the case of the UK, German and Spanish programme documents, mainly in the regional and SWOT analyses, review of the policy context or descriptions of the regional strategy. A key factor appears to be the presence of an underlying, broader regional strategy within national policy. For example, some of the UK programmes (Merseyside, South Yorkshire, South West and Northern Ireland) are based on a broader regional development strategy, the Regional Planning Guidance, which reflects the strategic approach of the ESDP as well as other documents.

An analysis of the programmes suggests that, at present, the development strategies being followed should have a positive impact on the territorial cohesion of the Union, particularly as regards transport and access to information networks, the environment and the account taken of urban problems.

Such strategies, effectively implemented, should help to promote a more balanced and polycentric development within each region, less uneven patterns of wealth creation, and a more sustainable model of growth.

Urban priorities within the programmes feature prominently in the programming documents and the assistance planned shows a high level of convergence with the Urban Framework for Action for sustainable urban development, which appears to be more closely linked to the Structural Fund programmes than to the ESDP. Some programmes (e.g. most of the UK programmes and some German ones - Berlin) have a strong urban dimension. Some of the themes promoted by the Commission Urban Framework for Action, such as social inclusion, local governance and empowerment and environmental regeneration, appear to be transversal and present in most Objective 1 strategies (if not always with an urban focus). It is worth noting that some programmes are constructed so as to promote complementarity between the Urban Community Initiative and the Objective 1 strategy.

A more detailed analysis of how the ESDP options and the Framework for Action for sustainable urban development are taken into account will be provided in the Communication which the Commission will present on the results of the programming negotiations for 2000-06 in the Objective 2 areas.

I - 7 Introduction of new management systems in the Member States

The programming documents are required to include a description of the management and control systems to be introduced, including the designation of the managing and paying authorities and their respective responsibilities⁴ and a description of the arrangements for financial control and financial corrections, building on the systems that were already being set up (in accordance with implementing Regulation (EC) No 2064/97⁵).

However, when the programming documents were submitted to the Commission, not all the details on the implementation systems were available. As a result, the description of the management and control systems was often the weakest part of the programming document (the programmes for Sweden and France can be cited in this context) and simply listed the provisions of the general regulation. Sometimes the paying authorities were not mentioned.

Alongside bilateral negotiations on this part of the programming documents, in February 2000 the Commission initiated collective discussions with the Member States within the Structural Funds Committees on practical ways of implementing the general Regulation as regards management and surveillance. This work, which resulted in two implementing Regulations, inevitably had implications for the final arrangements put in place by Member States⁶. These implementing regulations require more advanced and effective financial management and control systems than in the past, featuring greater separation of duties, standardised procedures and improved and integrated information systems.

In March 2001 the Commission departments responsible for the programmes adopted a proactive approach in the form of prior audits of the management and control systems in all Member States to verify that they met the standards of financial management required by the regulation, including arrangements for making financial corrections. Where necessary, recommendations for adapting systems are being made to Member States and these will be

⁴ How the managing authority will fulfil its responsibilities for sound financial management under Article 34 of the Regulation, including maintaining a reliable information system.

⁵ Checks of management and control systems, sample checks of 5% of expenditure over the life of the programme, maintenance of the audit trail and independent certification of accounts before closure.

⁶ On 2 March 2001 the Commission adopted two regulations laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards management and control systems (Reg. (EC) No 438/2001) and the procedure for making financial corrections (Reg. (EC) No 448/2001).

kept under continuous review. At this stage, an initial survey of the Member States suggests that they will all experience some degree of delay because they awaited final adoption of the implementing regulations before taking steps to apply them. The main outlines of management and control systems are in place but many organisational details still remain to be decided.

In connection with the preparation of programme complements, the Commission has also brought forward the arrangements for the exchange of data on programmes, as required by the regulation. Finland was one of a number of Member States which tested the electronic transfer of data to the Commission system in the last programming period and also included the data transfer requirements for the new period in the programming documents. Other Member States did not honour their commitments in this regard. As regards computerisation, a considerable effort is still needed.

In some cases, the new programming period has permitted rationalisation of the system for taking financial decisions. In Finland, for example, the financial decision-making system in the regions was simplified at the beginning of the new period, concentrating most ERDF, ESF, EAGGF and FIFG decisions under one umbrella agency ('one-stop-shop'). In Sweden the responsibilities of the managing and paying authorities were decentralised to one of the County Administrative Boards (CAB) in each programme area.

Elsewhere, as in Spain, negotiations have resulted in a compromise: the managing authority is not the region, but still a central authority in Madrid, with the regions having joint responsibility.

In Greece, approval of the programming documents required the passage of legislation recasting the national system for the management and surveillance of the Structural Funds.

To sum up, overall the negotiations resulted in a better description of responsibilities as regards management and financial control and a clearer definition of reporting requirements for the regional management committees and the Monitoring Committees. However, the Commission is concerned at the time taken by the Member States to implement the new systems which will enable them to meet these responsibilities, particularly as regards computerisation and retrospective applications for payment when expenditure is eligible.

I - 8 - Integration between the Structural Funds and the EIB

The programming documents normally include the four Structural Funds, either as separate priorities or as autonomous programmes (e.g. fisheries). The design of the programming documents has normally permitted full application of the principles of coherence, concentration and integration at the level of the priorities. However, no systematic attempt has been made to use the multifund approach (ERDF, ESF, EAGGF-Guidance Section and FIFG) at this level. This approach is to be found mainly in the regional programmes, but to a lesser extent in the multiregional programmes and much less in the sectoral programmes. Hence the degree of integration between the four Structural Funds varies depending on whether the profile of programmes adopted by the Member States is primarily regional or sectoral.

The EIB will be called on to participate in the development strategy of the Community support frameworks in some Member States through loans, an indicative estimate of which is given in the programming documents. It will contribute mainly in the area of major transport and energy infrastructure, infrastructure for water supply and waste treatment, research

infrastructure, national systems to support the development of small firms, finance for local and urban development and the knowledge society.

In the case of the Single Programming Documents, although the national and regional authorities and the EIB did not wish to put a precise figure on the Bank's contribution, there is provision for it to help finance some major projects.

In some Member States (e.g. Portugal and Germany), the EIB took part in the negotiations.

I - 9 - The strategic reference frameworks of the Cohesion Fund

In the 2000-06 programming period, the Cohesion Fund is being implemented with reference to a "strategic reference framework", which is a special instrument for coordination between the Structural Funds and the Cohesion Fund⁷. These reference frameworks in the fields of transport and the environment are intended to avoid inconsistencies or overlaps in strategies or specific measures and take maximum advantage of complementarity between the Structural Funds and the Cohesion Fund.

In two Member States, the strategic reference frameworks were drawn up through consultation between the Member State and the Commission, since they formed an integral part of the operational programmes for transport and the environment.

In the transport sector, priority was given to the TENs. The reference framework for the environment covered three sectors which were priorities for assistance (waste, water supply and water treatment).

In Greece, to make management of operations financed by the Cohesion Fund more efficient, it was agreed to restrict financing to major projects or to packages of regional projects with a significant financial mass. Also, again to improve the coherence of ERDF and Cohesion Fund action, it was agreed that the managing authorities of the relevant operational programmes would be responsible for technical project selection for both Funds.

II. - THE EXPECTED IMPACT OF THE NEW PROGRAMMING AND COMMUNITY VALUE ADDED

II - 1 - Thematic concentration

The concentration of expenditure on a limited number of policy areas is aimed at ensuring that the priorities defined in the programmes reflect both the factors underlying economic growth and the EU's political priorities. As the second Report on Economic and Social Cohesion⁸ stresses, Community structural measures are selective and complementary to those of the Member States.

⁷ The main components of these strategic reference frameworks are: the quantification of the goals to be achieved by the end of the programming period, the planned strategy for achieving the goals set, definition of the links between ERDF assistance and that from the Cohesion Fund, planned investment and the arrangements for applying the 'polluter-pays' principle.

⁸ "Unity, solidarity, diversity for Europe, its peoples and its territory Second report on economic and social cohesion" - adopted by the Commission on 31 January 2001.

For the Objective 1 regions, there have been some changes in the distribution of the funds between the three major areas of assistance – infrastructure, human resources and productive investment (see table “Breakdown by categories of expenditure for Objective 1” in **Annex 1**).

On the basis of the available programme complements, the share of spending on infrastructure seems to decrease for the period 2000-06, to around 28% of the total, one third of which is for transport networks, with a high concentration of investment in the four cohesion countries.

The share of expenditure allocated to investment in human resources is around 30%. Higher priority is given to active labour market policies and to strengthening education systems (especially in Italy and Portugal).

The share of expenditure on productive investment (around 42%) appears to be the same as in the previous period. However, it seems to be declining in the cohesion countries and Italy because of a decline in direct aid to industry as stricter rules on public aid are applied. There has also been a shift towards indirect and softer forms of support for the development of small firms.

The programmes seem set to play a major role in supporting environmental protection, which accounts for over 10% of the total allocated for Objective 1. Money is also directed towards improving access to peripheral regions⁹ and developing training, research and innovation activities, which are essential to development of the knowledge society and the knowledge-based economy and which, because of national budget constraints, could not be fully carried out without Community support. Estimates suggest that €5-6 billion will go direct to the information society and reducing the digital gap. Other measures, particularly those to help small firms, will contribute more indirectly to the development of new technologies.

Some trends now seem to stand out in the development strategies for the seven-year programming period which are regionally rather than sectorally targeted. There appears to be greater concentration on the structural factors of competitiveness which determine long-term growth in the Objective 1 regions, particularly transport, RTD and innovation, the information society and human resources. There is also greater concern about the integration of the environment and the promotion of sustainable development.

A more detailed analysis will be carried out when the figures from the programme complements are available, using the standard categorisation of fields of assistance (included in Regulation (EC) No 438/2001).

II - 2- Macro-economic impacts¹⁰

Particularly in the countries and regions which are their major beneficiaries, the Structural Funds have a significant impact on growth and the process of catching up as well as on total employment and the level of productivity. That impact is all the greater to the extent that it is accompanied by a stable macro-economic background resulting from economic and monetary union.

⁹ In Greece, for example, investment in major transport networks will be 150% of the figure in 1994-99.

¹⁰ This chapter may usefully be supplemented by Part III of the Second report on economic and social cohesion: “Unity, solidarity, diversity for Europe, its peoples and its territory Second report on economic and social cohesion” - adopted by the Commission on 31 January 2001.

Furthermore, the multiannual programming method used by the Structural Funds encourages a disciplined approach over the medium-term. In general, the planning process helps to reduce uncertainty.

Compared to a situation without assistance, the contribution of the Community support frameworks (Structural Funds and national expenditure) will increase GDP in real terms by around 6% in Greece and Portugal and 2.4% in Spain. In Ireland, the effects are comparatively slight (+1.8%), because the Structural Funds are less significant (under 10%) in terms of total national public expenditure¹¹. In eastern Germany, simulations suggest that GDP will grow by 4% in 2006. In all cases, it is expected that long-term increases in the level of GDP, resulting from supply-side effects on growth will continue beyond the end of the programming period, even if CSF investment is assumed to end in 2006.

The programming documents will stimulate the level of investment up to 2006, particularly in Greece (20%), Portugal (14%) and eastern Germany (6%), which will increase effective demand and, in due course, productivity. The impact on employment will be significant, particularly in Greece and Portugal, but will tend to fall off after 2006, because the productivity gains are assumed to have fully passed through into higher real wages.

In terms of gross fixed-capital formation, the share of Community assistance devoted to investment represents on average 1.2%, but around 10% in Greece and Portugal - see table *"The importance of the Structural Funds in structural expenditure and gross fixed-capital formation in the Member States"* in **technical Annex 1**.¹² These figures show that, without Community transfers, economic growth, of which investment is the main component, would be much lower in the cohesion countries which are its main beneficiaries. However, the impact has declined compared with the previous programming period.

II - 3 - Impact on regional competitiveness

Although structural policies tend to be finally judged by their impact on growth and economic catching up, it is also important to look at their impact on the key factors which determine the competitiveness of the economies concerned. Substantial progress will continue to be made in the field of basic infrastructure and other sectors such as R&D, access to knowledge and the information society and opportunities for life-long education and training where territorial imbalances are particularly acute. Some impacts will be more marked in their nature than others as the examples below demonstrate.

In the field of transport, continuing improvements to the road system will result in reducing the gaps, especially as regards the trans-European networks. Furthermore, a shift towards rail, particularly in Spain and Portugal, should have a favourable impact on the environment. The basic structural nature of these investments means that they will contribute to the development of economic activities and sustainable jobs in Objective 1 regions.

In the field of R&D and the information society, the greater emphasis placed on integrated strategies for innovation and the interaction of academic research centres with the world of business will help make the economy more competitive and facilitate its international

¹¹ In 2000-06 Community assistance (Structural and Cohesion Funds) represented 2.9% of GDP in Portugal, 2.8% in Greece, 0.6% in Ireland and 1.3% in Spain.

¹² If finance from the Cohesion Fund is included, in investment terms, Community assistance (Structural and Cohesion Funds) plays a decisive role since, as an annual average, it accounts for 12.3% of total investment in Greece, 2.6% in Ireland, 5.5% in Spain and 11.4% in Portugal.

integration. Similarly, the greater dissemination of services and application of the information society to small firms (e.g. electronic commerce will concern 15% of small firms in Greece) will help achieve this goal. The aim of making the regions more competitive is in line with Community policy for creating a 'European research area' with an emphasis on the regional dimension in research policies.

Finally, it should be noticed that support for the European Employment Strategy, mainly from the European Social Fund, will boost human resource development and help respond to local labour market requirements and job opportunities. This will make it easier to improve the productive capacity of regions and to expand employment in accordance with the employment rate targets set out in Lisbon and Stockholm.

II – 4 - Taking account of and impact on other Community priorities and policies (environment, competition, transport, information society, research and innovation, small firms, equal opportunities)

The impact of the strategy in the programming documents on Community policies cannot be accurately assessed until the programme complements are available. However, during the negotiations the Commission sought to ensure that the principal policies concerned (environment, research, information society, etc.) were thoroughly dealt with. In the cases of the programming documents, this resulted in the establishment of priorities directly linked to the Community policies and, in the programme complements, to the preparation of measures specific to those policies.

In general, the programmes reflect the presence of other Community policies in two ways:

- in the programme implementation chapter which ensures that competition,¹³ public procurement, environment and gender balance policies are fully taken into account at the project selection stage;
- by way of cross-cutting themes meaning that environmental sustainability, the information society and equal opportunities policies are elements integrated into individual programme priorities and measures.

The impact on the other Community policies has been regarded as generally positive.

In the field of the environment, the programming documents pay special attention to compliance with legislation and consistency with Community policy. This is true, for example, for measures concerning waste (which must appear in the management plans drawn up in compliance with the directives on waste and adopted by the national or regional authorities), infrastructure for waste-water treatment (which must comply with targets set out in the directives on urban waste water), assistance for productive activity and the directives on the prevention and integrated control of pollution, the eco-management and audit system and so on. The "Habitats" (92/43/EEC)¹⁴ and "Birds" (79/409/EEC)¹⁵ Directives require proper management of the areas forming part of the Natura 2000 network. On 14 March 2000, the

¹³ In particular, all the information required to assess the compliance of the measures planned with the Community rules on State aids form part of every item of assistance and are included, updated where necessary, in every programme complement.

¹⁴ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992).

¹⁵ Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds (OJ L 103, 25.4.1979).

Commission drew up guidelines to define the link between implementation of the structural measures for 2000-06 and compliance with the Natura 2000 directives. These guidelines apply only to those Member States which, at the date when the Commission approves the programming documents, had not yet notified the sites to be protected under the “Habitats” and “Birds” Directives. They require the programming documents from the Member States to include clear and irrevocable commitments both to present the lists of sites to be protected and as regards a formal guarantee that they will not let such sites deteriorate when implementing assistance part-financed by the Structural Funds.

Apart from this elements of ‘compliance with the law and enforcement’, the negotiations provided the opportunity to improve integration of the environmental dimension into all priorities through the principles of preventive action, correction at source of the environmental damage and application of the ‘polluter pays’ principle.

It is very difficult to quantify the impact of the equal opportunities strategy, particularly since the action plans have not yet been drawn up (see programme complements). However, a qualitative assessment suggests that significant progress in this field can be expected. It should encourage the participation of women in the labour market, a reduction in unemployment among women and an increase in the activity rate.

II - 5 - Multiplier effect and additionality

To ensure that the Community Funds have a real impact in the eligible regions over and above the development effort of each Member State, since 1989 the regulations on the Structural Funds have included application of the principle of additionality, under which the Member States are required to maintain national structural expenditure in a programming period at least the same level (excluding the EU contribution) as in the previous period.

For the programming period 2000-06, total public structural expenditure planned in the Objective 1 regions should, across the EU as a whole, amount to an annual average of €90 billion. The structural expenditure of the Member States (excluding the EU contribution) should account for just over 1% of Union GDP on average, but 7% in Greece and almost 5% in Ireland and Portugal. The Structural Funds should also account for an average of 18% of total public expenditure (national and Community) in these regions. However, this percentage amounts to 29% in Spain and 37% in Portugal, so providing substantial support to the public development effort in those countries - see also point II-2.

Compared with 1994-99, Community and national structural expenditure planned for 2000-06 should increase by an annual average of 8.6% across the Union (see table “*Changes in the volume of the structural expenditure of the Member States in the Objective 1 regions and the regions receiving transitional support*” in **technical Annex 1**). However, these changes vary sharply from one Member State to another. For example Germany, which made an outstanding structural investment effort in the previous programming periods to help the new Länder, expects structural expenditure to fall by 10% in those regions, which will reduce its structural expenditure to a level which is less exceptional when compared with the other Member States. By contrast, the 20% increase in expenditure in Italy is to be considered in relation to the lower than expected level of spending in 1994-99, and is based on the government’s commitment to increasing capital expenditure in order to stimulate the South’s economic development.

II - 6 - Benefits of the method of implementation

A new, simplified and more strategic programming system

The new programming system has been simplified by reducing the number of programmes, particularly in Spain, by integrating the Funds at regional level, and in Italy. It should provide some “flexibility” in management, particularly as regards the programme complements, in a way compatible with the statutory provisions as regards quantified objectives and monitoring indicators. The useful role played by *ex-ante* evaluations should also be noted: in many cases they helped increase the coherence and quality of the plans by enabling close links to be forged between the diagnosis of the socio-economic problems and the formulation of priorities and strategic objectives. The Community guidelines also meant that some significant adjustments could be made to the regional development strategies proposed for this period.

A more inclusive and responsible partnership

Management responsibilities in 2000-06 have been defined on the basis of the principles of decentralisation and subsidiarity. The direct consequence of those principles is a requirement for greater transparency, particularly as regards financial management, checks on specific measures and project selection procedures, and improved demarcation of responsibilities between those taking programming decisions, programme managers and paying authorities.

Preparation of the new programming documents demonstrated greater awareness of the role of the partners in programming. Although such a broad partnership has positive aspects, it may, however, result in delays in the decision-making process precisely because of the complex procedures for consulting all the partners. There is therefore a correlation between expanding the partnership and the strategic direction of the programming documents which will have to be considered in future.

Particular mention should be made of the involvement of the environmental authorities in the Member States. Where cooperation between the authorities responsible for programming and those responsible for the environment was most structured and systematic, the quality of the plans and programmes was better, particularly as regards sustainable development. The constructive involvement of the environmental authorities throughout the programming process for 2000-06 and the networking of these authorities should not only make environmental work more sustainable but also result in the more integrated implementation of assistance and measures (e.g. in Spain).

A monitoring system based on indicators and quantified objectives

The Commission and the Member States are required to ensure effective monitoring using quantified objectives and indicators defined in the programmes approved. These indicators have been structured so as to describe the socio-economic situation in the region or sector concerned and measure the effects of assistance. They range from indicators of physical implementation (provision of infrastructure, amount of training etc.) to indicators of results (immediate gains in efficiency) and socio-economic impact described in terms of changes in the structures of production and employment. Significant progress may also be detected as regards the establishment of systems of shared key indicators (e.g. eEurope indicators), so that the efficiency of programmes, priorities or measures can be compared. A good example is Scotland, where this type of approach has been developed on the basis of precise methodological guidelines.

Management including an approach to evaluation

The regular evaluation of assistance is increasingly regarded as a management tool which can help improve the quality and effectiveness of assistance. While substantial progress has been made, especially in those Member States where a culture of evaluation was in its infancy, it is now up to the managing authorities to organise the mid-term evaluation process and facilitate the pro-active use of the results within the partnership. Framework structures for evaluation have been set up to that end through the establishment of working or steering groups and the establishment of specialist evaluation units with their own staff and resources. The development within national and regional administrations of an internal evaluation capacity is becoming a key element in ensuring the better integration of evaluation in programme management.

The performance reserve, a fresh incentive to efficiency

Introduction of the “performance reserve” provides evaluation - and more broadly the management of assistance - with a new dimension because it constitutes an incentive to achieve predetermined objectives for each programme. A concrete effect of the introduction of this instrument has been to increase the extent to which objectives are specified using operational indicators. This mechanism has also had to take account of the special institutional and administrative features of each Member State. In those which have a federal system (Germany, Austria, Belgium), funds are allocated at the level of the priorities in each programme. The United Kingdom has opted for a mixed system, combining an approach at the level of priorities for Scotland, Wales and Northern Ireland with a system of competition between programmes in the English regions (Merseyside, Cornwall, Yorkshire and Humberside). Other countries, including the main beneficiaries of the Structural Funds, set ambitious goals for the application of this principle which even exceed the statutory requirements, by setting up a programming reserve (Portugal) or a national supplementary reserve linked to targets for simplifying administrative procedures (Italy).
