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Annex to the

**19TH ANNUAL REPORT ON IMPLEMENTATION OF
THE STRUCTURAL FUNDS (2007)**

PARTS 1 – 3

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Part 1: General analysis of activities

1. INTRODUCTION

As required by Article 45(2) of Council Regulation (EC) No 1260/1999, this report sets out to give an overview of the implementation of the Structural Funds (2000-2006) in 2007.

2007 was the eighth year in which Structural Funds programmes and projects for the 2000-2006 programming period were implemented. Altogether, 226 Objective 1 and Objective 2, 47 Objective 3, 12 FIFG (outside Objective 1), 81 INTERREG, 71 URBAN, 27 EQUAL, 73 LEADER+ and 122 Innovative Action programmes were managed in 2007.

Even though no further commitments could be made in 2007, sums were disbursed in respect of 2000-2006 Structural Funds assistance. Implementation of the 2007 budget was excellent. In terms of payment appropriations, 99.9% of ERDF, 99.9% of ESF, 100% of EAGGF and 97.5% of FIFG resources were used (compared to 99.9% ERDF, 99.9% ESF, 99.9% EAGGF and 84.16% FIFG in 2006).

Member States and regions with programmes of high execution rates were able to start preparing for closure. The general framework for the closure of 2000-2006 Structural Funds assistance was set out in Commission Decision C(2006)3424 in 2006.

In addition to implementation of 2000-2006 Structural Funds programmes and projects and preparation for their closure, the Commission was also heavily involved in planning and programming the 2007-2013 period in 2007. Negotiations were concluded on a total of 27 national strategic reference frameworks and 428 programmes (311 ERDF, 117 ESF).¹

Efforts were continued to improve the quality of programmes and projects co-financed by the Structural Funds, an objective which also covers reliable financial management of programmes. Better financial management, control and evaluation also made for good governance of co-funded programmes and projects.

The partnership model, set up between the Commission and the national and regional authorities in the Member States to implement the programmes, has produced very high quality results. The case of Ireland is a good example, where the national government decided to apply the same partnership structure used to implement ERDF-financed programmes in the execution of national development funds.

To demonstrate the added value of European cohesion policy, an ex post evaluation of Objectives 1 and 2 programmes for 2000-2006 was launched in 2007. This will be carried out by way of 12 phased and interlinked evaluations, which will be

¹ See Communication on the results of negotiations on strategies and programmes for the programming period 2007-2013.

completed by the end of 2009. Preparatory work was also undertaken on the design of ex post evaluations of INTERREG and URBAN.

As part of the “*Regions for Economic Change*” Initiative, the Commission has been active in highlighting good practice projects in different fields of economic modernisation through network activities and encouraging dissemination to mainstream operational programmes. The key principles of spreading good practice and linking networks to the mainstream were incorporated into the texts of the INTERREG IVC and URBACT II programmes adopted in autumn 2007. Two major conferences were organised under this banner, namely, “Regional policy responses to demographic challenges” in January 2007, and “Fostering competitiveness” in March 2007. The “RegioStar Awards for Innovative Projects” initiative launched in March 2007 was also a success, attracting applications from more than 70 regions.

Two conferences took place in 2007 for the network programmes, ERIK+ and IANIS+, which were designed to gather and transfer experience on innovation in technology and the information society.

October 2007 heralded the “European week of regions and cities” OPEN DAYS, under the slogan “*Making it happen: regions deliver growth and jobs*”. With more than 5500 participants from 34 countries, this was the biggest event ever organised on European Cohesion Policy; it was held jointly with the Committee of the Regions and 212 regions and cities across the EU.

On 28-29 June 2007, Potsdam hosted the conference “50th Anniversary of the European Social Fund — Review and Prospects”. This was the official 50th anniversary event for the European Social Fund. It also marked the closing of a series of political conferences organised by the Federal Ministry of Labour and Social Affairs under the German EU Presidency. In organising this high-level conference, the German Presidency acknowledged the importance of the European Social Fund. Looking to the new programming period, which kicked off in 2007, the conference accentuated the opportunities, challenges and prospects for the ESF in an enlarged European Union. The Commission also produced a book tracing the history of the European Social Fund in the context of Europe’s economic and social development over the last 50 years.

2. ANALYSIS OF IMPLEMENTATION

2.1. Budget Implementation

2.1.1. ERDF

In terms of budgetary execution, 2007 was an exceptional year for DG Regional Policy. The overall execution rate of ERDF payment appropriations reached 99.9% (the same result as in 2006), while the level of payment appropriations was higher than ever (EUR 21.4 billion compared with EUR 16.0 billion in 2006).

The high level of payment appropriations results from the fact that in 2007 two programming periods were managed: further interim payments for the 2000-2006 period and, for the first time, advance payments for programmes financed under the

2007-2013 financial perspective. The vast majority (428 out of a total 455) of 2007-2013 operational programmes (98% in value, i.e. operational programmes worth a total of EUR 340 billion out of EUR 347 billion for the whole programming period) were adopted by the Commission before the end of 2007.

For Objectives 1 and 2 and Community Initiatives for the period 2000-2006, DG REGIO achieved full implementation of payment appropriations. To do so, a number of internal transfers from Objective 2 to Objective 1 had to be made, following the suspension of certain payments to the UK as a result of audits. Moreover, Objective 1 programmes made a higher demand on reimbursements than was initially forecast, thereby offsetting advance payments to new programmes adopted in late December 2007 or postponed to 2008.

At the end of 2007, outstanding commitments (RAL) from previous years on which payments were still to be made totalled EUR 28.0 billion, compared to EUR 45.8 billion in 2006.

ERDF total commitments relating to 2007-2013 operational programmes amounted to EUR 27.2 billion (98.6%). The remaining appropriations not committed in 2007, due to delays in the adoption of operational programmes, have been carried over (EUR 117 million) or reprogrammed (EUR 378 million) to 2008 (total of EUR 495 million).

Also in 2007, the “n+2” rule (committed Structural Funds must be invested, properly spent and accounted within two years of the year of commitment) proved to be an efficient tool for encouraging Member States to devote resources and effort to timely execution of European programmes. After analysing the exceptions granted under the “n+2” rule (State aid, major projects, etc.), the latest internal forecasts of DG Regional Policy suggest that the risk of possible decommitments should not exceed 0.7% of 2005 commitments (around EUR 140 million).

The pace of implementing the Structural Funds proves that Cohesion Policy works. Throughout 2007, the ERDF absorption rate (payments vs. commitments) for all Member States reached 79%. New Member States achieved record absorption figures, receiving EUR 3 billion in 2007, nearly as much as they were reimbursed altogether in 2004, 2005 and 2006 (EUR 3.5 billion). This means that by the end of 2007 the new Member States have achieved average consumption of 71% of their financial allocations for the period 2004-2006, whereas the average ERDF absorption rate for the EU-15 (period 2000-2006) was 85%.

2.1.2. *ESF*

The overall execution rate of ESF payment appropriations reached 99.9% (the same as in 2006), while the level of payment appropriations was higher than last year (EUR 11.3 billion compared with EUR 9.3 billion in 2006).

2007-2013 programming period

ESF total commitments relating to 2007-2013 operational programmes amounted to EUR 10.486 billion (99.88%). The remaining appropriations (EUR 13 163 237) not committed in 2007 concern the French OP “Martinique Region”, which was

not expected to be adopted in 2007. These appropriations are carried over to 2008 for further consumption.

The cumulative consumption of payment appropriations during January-December amounted to EUR 1 513 million. This corresponds to 99.87% of annual payment appropriations (EUR 1 515 million). The difference (EUR 1 957 184.6) consists of the advance payment for the French OP “Martinique Region” and will be paid in 2008.

2000-2006 programming period

Application of the “n+2” rule involved 12 programmes at the end of 2007 and EUR 92.2 million. The risk of possible decommitments should not exceed 0.8% of 2005 commitments.

The total outstanding commitments at the end of 2007 stood at EUR 12 billion (compared to EUR 22.9 billion in 2006).

At the end of 2007, outstanding commitments from previous programming periods (RAL) totalled EUR 179 million, compared with EUR 204.6 million at the end of 2006.

2.1.3. EAGGF

The total amount paid in 2007 was EUR 3.4 billion. The financial execution rate of EAGGF payment appropriations for rural development programmes for the period 2000-2006 was 100.0%.

As rural development operational programmes are not part of the Structural Funds in the new programming period 2007-2013, there is a slight decrease in the overall amount paid out in 2007 compared with the previous year (i.e. EUR 3.6 billion).

A number of internal transfers had to be made to achieve full financial execution, mostly from the new European Agricultural Fund for Rural Development (EAFRD).

In 2007, there are no commitments for rural development programmes relating to the 2000-2006 period.

At the end of 2007, outstanding commitments from previous years (RAL) totalled EUR 3.9 billion, compared with EUR 7.3 billion in 2006.

The first estimates as regards the “n+2” rule (applying at the end of 2007 to commitments made in 2005 or before) show that the risk of possible decommitments concerning rural development funds is around EUR 70 million.

2.1.4. FIG

Budgetary implementation in 2007 was highly satisfactory, 97.5% of payment appropriations being executed. The payment rate reached 96.44% in Objective 1 regions and 99.96% in regions outside Objective 1.

The total RAL for the FIFG at the end of the year 2007 was EUR 811 million (compared to EUR 1 336 million in 2006).

As regards implementation of the “n+2 rule”, estimated decommitments are around EUR 54 million for 2007.

2.2. Programme Implementation

2.2.1. Objective 1

Expenditure on Objective 1 programmes followed much the same path as in 2006 (for details, see part 5). Objective 1 programmes focused on basic infrastructure projects (41.4%), with over half of all investment in this category spent on transport infrastructure (53%). More than a third (33.5%) of Objective 1 resources were invested in the productive environment, where the focus continues to be on assisting SMEs and the craft sector (28.6%). Projects geared to human resources account for 23.2% of resources in Objective 1 regions. The main areas of assistance in this field are almost equally split between labour market policies (31.3%) and education and vocational training (31%).

2.2.2. Objective 2

The main focus of programmes in Objective 2 regions continues to be on the productive environment, with over half of all financial resources devoted to this category (55.8%). Within this field, assistance to SMEs and the craft sector is the most dominant (56.6%). The second most supported field is basic infrastructure, with 39.6% of all Objective 2 resources. Unlike Objective 1 programmes, the most important areas in financial terms are planning and rehabilitation of areas (45.4%). In the category of human resources (10.1% of all investment in Objective 2 regions), workforce flexibility, entrepreneurial activity, innovation, information and communication technologies are the main fields of investment (30.8%).

2.2.3. Objective 3

The main emphasis of ESF programme implementation in 2007 continued to be support for the European Employment Strategy, particularly measures aimed at improving employability in the labour market (32%), lifelong learning (27%) and equal opportunities (6%). There was still a marked difference in concrete implementation of programmes, as measured by financial execution, between the EU-15, where long-established programmes continued to be implemented, and the EU-10, where some Member States are experiencing considerable difficulties in getting certain projects and measures under way.

2.2.4. Fisheries outside Objective 1

Implementation of the structural policy in the fisheries sector improved in 2007. This was reflected in the financial execution of FIFG operational programmes, which helped to achieve the objectives of the Common Fisheries Policy.

2.2.5. *Community Initiatives*

2.2.5.1. Interreg

INTERREG supports cross-border, transnational and interregional cooperation designed to encourage harmonious, balanced and sustainable development of the EU territory. By the end of 2007, the 81 INTERREG III / Neighbourhood Programmes had selected about 15 000 projects and networks designed to reduce the effects of national borders, language barriers and cultural differences, to develop border areas, and to support strategic development and territorial integration across larger zones of the Union, including better integration with its neighbours. The effectiveness of regional development policies and instruments has also been improved through the sharing of good practice and exchange of experience.

The first 54 INTERREG III programmes were adopted in 2001 and were followed by 15 programmes in 2002 and 3 in 2003. Enlargement increased the overall number of EU borders and resulted in 9 new programmes being adopted in 2004, many of which are Neighbourhood Programmes. In 2004, most programmes were amended to take account of the mid-term evaluations and the distribution of indexation funds. Changes were also necessary for some programmes due to enlargement and/or integration of the Neighbourhood Programme concept. N+2 decommitments and updates of the mid-term evaluations made for further programme amendments in subsequent years.

By the end of 2007, the payment execution rate was about 68%. Due to the more specific and challenging nature of cooperation programmes and projects, decommitments under the “n+2” rule could not be avoided for some programmes. While EUR 63 million is still under further investigation, up to EUR 18.5 million will have to be decommitted, adding to the EUR 113 million already decommitted between 2003 and 2006.

Progress continued on 81 INTERREG III/Neighbourhood programmes in 2007. The Commission continued its active follow-up in close cooperation with the authorities responsible for programme implementation, which partly overlapped this year with the start-up and early implementation of the 2007-2013 cooperation programmes.

As programmes were approaching the end of the programming period, limited funds were available for new projects, and fewer monitoring and steering committee meetings were organised compared with previous years. To make for more efficient spending of funds, and thus also prepare for programme closure, 65 amendments to programme complement were made.

Programmes have been closely monitored to ensure efficient implementation, in particular as regards financial management. There have been regular contacts with the implementing authorities, including on dissemination of good practice. In addition to this, the INTERACT support programme has continued to contribute to efficient and effective implementation of INTERREG III programmes by organising a large number of best practice events and producing management manuals for cooperation.

2.2.5.2. Equal

In 2007, good progress continued to be made on 27 programmes and more than 3 300 projects under Equal. Around 30 meetings of Equal monitoring committees were held during 2007. They focused on strategies and action to mainstream good practice that has been developed and validated. Administrative issues such as annual reports and transfers of appropriations between programme priority axes were also discussed during these meetings. Two coordination meetings of the Equal managing authorities took place in Brussels during 2007. As regards financial implementation, six Member States were unable to use part (between 8% and 49%) of their 2005 budgetary commitment (“n+2” rule).

In an effort to maximise the results of the Equal programmes and projects, and thus steer policy and practice, including the shape of national and regional ESF programmes for the programming period 2007-2013, the Commission continued to work in partnership with the Member States on the work launched in 2006. This work covered policy issues such as asylum seekers, diversity and empowerment, youth employment, the (re)-integration of ex-offenders, social economy, inclusive business creation, and media and diversity, together with management principles (partnership, transnational cooperation, innovation and gender mainstreaming). This mainstreaming work concentrated on gathering and validating good practice in new methods of delivery, on supporting EU mainstreaming platforms for the lessons learnt and on disseminating information on the achievements of Equal through the Equal website and the Equal newsletter.

The work of the EU mainstreaming platforms was completed in 2007 by closing conferences bringing together decisions-makers, representatives of Equal and ESF managing authorities, representatives of Equal Development Partnerships and major players in the respective fields. These conferences concentrated in particular on ways of taking forward the successful approaches that have been pioneered under Equal. There was also a strong will to continue, within the context of the new ESF programming period, with what these mainstreaming platforms had so successfully started, namely the creation of a stable and real link between people and projects on the ground and policy issues at EU and national level.

To help shape transnational cooperation in the new ESF programmes, the Commission organised a seminar at the beginning of 2007, which brought together government representatives from all Member States in charge of planning and implementing the new ESF programmes. The Commission took on board the recommendations from this seminar to draft an action plan to facilitate transnational and interregional cooperation in the ESF. The first step was taken at a second seminar in the spring where Member States and regions agreed to establish a formal network of contact points. A kick-off meeting of the network of nominated contact points for transnational cooperation was held in September 2007 to ensure that effective mechanisms and procedures to make transnational cooperation work were put in place. Fifteen workshops on the Equal programme were organised during the European Week of Regions and Cities (“Open Days”) in October 2007.

2.2.5.3. Urban

Work continued in 2007 on the management of the 71 operational programmes implementing the URBAN Community Initiative by way of annual reports, monitoring committees and annual meetings. Programmes management meant not only the follow-up of financial implementation but also ensuring the continuity of the “URBAN” methodology and approach. There was active follow-up of the URBACT I programme, including the launch of two fast track pilot networks. The URBACT II programme, one of the main instruments of the Regions for Economic Change initiative, was approved and launched. URBACT has developed 20 networks and 6 thematic working groups, and also working groups bringing together several networks around a particular theme. The programme is in its final phase of closure. A specific tool was created for the URBACT programme to exchange knowledge on integrated urban development between experienced city experts (city managers, project/programme leaders, external consultants) and cities with limited experience in that field. The Support for Cities Initiative was conducted between September 2006 and June 2007, and involved 43 cities across eight Member States.

In three years, URBACT has become the framework for exchange and reflection on urban issues and problems not only for decision-makers in cities, but also for regional authorities, Member States, universities and research bodies. The programme promotes territorial, sectoral and disciplinary decompartmentalisation between cities and also within the city. In the mid-term evaluation (12/2005), URBACT was described as “a highly relevant initiative for Europe’s cities”. URBACT is already a useful tool for mutual learning among policy-makers, technicians and others.

2.2.5.4. Leader+

The Community Initiative Leader+ consists of three actions: implementation of local development strategies by public private partnerships, cooperation between rural territories and networking. 73 Leader+ programmes for the EU-15 were approved for the period 2000-2006. Recently acceded EU Member States had the option of integrating Leader+ type measures into their EAGGF Objective 1 programmes.

Local development strategies

2007 saw a significant acceleration in project commitment. A survey made at the end of 2007 showed a total number of 79 953 approved local projects. The average total budget for local ‘action 1’ projects is EUR 54 000.

The physical indicators for some programmes clearly show the success of the programmes already, e.g.

- 18 500 jobs created in 4 Member States (Spain 12 042; Finland 3 075; Ireland 2 500; Greece 862; Sweden 405);
- micro-enterprises created: Spain 2 717; Greece 1 794; Finland 539; England 500;
- 43 000 people trained in Ireland; 26 732 in Finland; 12 824 in Sweden;

– 5 400 community services and facilities assisted or created in England.

As regards management of the programmes, closure dates for local action groups range between April and September 2008.

Cooperation

At the end of 2007, 83.25% of the 894 local action groups were involved in inter-territorial cooperation projects and 68.51% in transnational cooperation projects. This is a very positive result, bearing in mind the difficulty in drawing up concrete joint actions between different territories.

The average total budget for cooperation projects is EUR 90 000 (for inter-territorial projects the average is EUR 95 000, for transnational EUR 74 000). The most common issues covered by cooperation projects are tourism, agriculture and food, cultural heritage and knowledge management, education and training.

A European database of approved transnational cooperation projects established by the Leader+ European Observatory lists 383 projects (status at the end of 2007). This is far beyond the achievements of Leader II in the period 1994-1999 (around 250 projects).

Networking

Most of the Leader+ National Networks will end their activities in 2008. In some Member States, this closure date has been brought forward due to the start of the new national rural development networks funded by the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013.

Some national networks have organised final Leader+ events (Austria and Sweden). National networks are working on the legacy of Leader+. In the Netherlands, an evaluation of the Network Unit showed its added value in improving cooperation between government administration and civil parties and assisting local action groups.

Dissemination and transfer of know-how is a core element of most National Network Unit programmes: an important area of action relates to training and pedagogical actions on Leader and local development methods.

The European Leader+ Observatory identified 264 good practices in collaboration with national networks. A first publication setting out twenty-one examples of good practice was issued in 2007.

The Leader+ European Seminar in Borgo (Corsica) on 24-26 April 2007 focused on the issue of local action group management. 300 representatives from 25 Member States, including 150 local action groups, participated in this event.

A Leader+ final European conference took place in Evora, Portugal, on 22-23 November 2007: presentations were made of sixteen rural territories chosen from sixteen Member States. This event aimed to communicate clear messages about the legacy of the Leader initiative for the programming period 2007-2013, where the Leader method has been integrated into rural development programmes.

2.2.6. *Innovative Actions*

2.2.6.1. ERDF

DG Regional Policy also managed 122 Regional Programmes of Innovative Actions (of which 26 were closed in 2007), which help to promote strategic innovation in the regions, by experimenting with innovative methods and practices designed to improve the level of innovation and the quality of EU assistance under three themes: knowledge and technological innovation, information society and sustainable development.

2.2.6.2. ESF

During 2007, the six remaining projects from the call for proposals on “Local Employment Strategies and Innovation” were closed. DG Employment also managed 80 transnational projects selected under the three rounds of the last call on “Innovative approaches to the management of change” (22 closed in 2007). Projects support the development and testing of innovative actions to anticipate and manage change in two priority areas: management of restructuring and management of demographic change. In addition, thirteen projects (of which five were closed in 2007) are aimed at mainstreaming the results of previously selected projects under the call on “Transfer and dissemination of innovation from ESF Article 6 projects”.

2.2.6.3. FIGF

DG Maritime Affairs and Fisheries managed 29 innovative action projects (of which the last two were closed in 2007).

3. CONSISTENCY AND COORDINATION

3.1. Consistency with other Community policies

3.1.1. Competition policy

Article 9(5) of Council Regulation (EC) No 1083/2006² requires operations financed by the Funds to comply with the provisions of the Treaty and of acts adopted under it. Article 9(2) of that Regulation requires the Commission and the Member States to ensure that assistance from the Funds and the Member States is consistent with the activities, policies and priorities of the Community.

Under the provisions of Regulation 1083/2006, the approach to the control of State aid issues in the new Structural Funds is fundamentally different to the approach applied for the programming period 2000-2006.

Under the current legislative framework, full responsibility for the compliance of Structural Funds operations with State aid rules lies with the Member State, and in particular, with the managing authorities.

² Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999; OJ L 210 of 31.7.2006; hereinafter: “Regulation 1083/2006”.

Article 60 of the Regulation, for example, makes the managing authorities responsible, amongst other things, for ensuring that operations comply with applicable Community rules (thus Community State aid rules) and national rules for the whole of the implementation period.

In addition, Articles 70 and 71 of Regulation 1083/2006 also require Member States to ensure that the relevant control mechanisms are put in place, these consisting, *inter alia*, of setting up certifying and audit authorities/bodies or a reporting obligation to allow effective ex-post control of the State aid responsibilities of the Member States.

The OP provisions should explicitly reflect the new Member States' responsibilities in the area of State aid. To this end, the decision approving the Operational Programmes themselves should include the following clause: "The Managing Authority is responsible for ensuring that any State aid under the Programme complies with the procedural and material State aid rules applicable at the point of time when the public support is granted".

Procedural compliance implies an obligation on the part of the Member State to notify the Commission of any plans to grant new aid and to await the Commission's authorisation before the measure is put into effect. The material criteria of the compatibility of aid measures with EC rules are laid down by the Commission in the form of different "frameworks", "guidelines" and "communications".

In 2007, DG Competition issued an updated vademecum, which gives an overview of different procedural and material rules applicable to State aid and summarises the State aid legislation that is considered the most relevant for Structural Funds operations. It is available on the DG Competition website: http://ec.europa.eu/comm/competition/state_aid/legislation/legislation.html.

The new approach, with the new State aid responsibilities of the Member States, however, in no way affects the possibility of Commission action provided for by the procedural Regulation (EC) No 659/1999,³ which includes the examination of allegedly non-notified (unlawful) measures and the recovery of incompatible non-notified aid co-financed by the Structural Funds.

3.1.2. *Internal market*

Regulation (EC) No 1083/2006 also requires Member States to verify that operations financed by the Funds comply with EU Public Procurement Directives. Where the Commission learns of any breach of EC legislation or where audits demonstrate that this is the case, it will take appropriate action. In the programming context, the Commission requires information from the Member States in the form of annual reports on the programmes. The Directorates-General for Regional Policy and for Internal Market have helped to clarify the legal treatment of concessions dating before the accession of new Member States, on 1 May 2004, that were not in compliance with the EC *acquis*. A new regulatory framework for public

³ Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ L 83, 27.3.1999.

procurement law and the awarding of concessions has been introduced in order to provide greater legal certainty both for the private and for the public sector.

3.1.3. *Environment*

In the context of the adoption of Cohesion Policy NSRFs and operational programmes for 2007-2013, the priorities are correct application of the Strategic Environmental Assessment (SEA) Directive, providing adequate investment for implementing the environmental *acquis*, addressing new challenges such as climate change and sustainable energy, and continuing to mainstream sustainable development as a horizontal principle.

The focus with ongoing programmes continues to be on supporting compliance with the Community *acquis* in the field of urban wastewater, water supply, waste management and biodiversity. Other important areas of investment are in eco-innovation and rehabilitation of polluted soil. The promotion of sustainable development has continued through investments in environmentally-friendly transport and energy by introducing environmental criteria into project selection, and by pro-actively ensuring compliance of projects with environmental legislation.

3.1.4. *Transport*

Cohesion programmes continue to be the main source of Community support in transport, as introduced in the White Paper “European transport policy for 2010: time to decide” and the mid-term review published in 2006. Accordingly, Funds have been used both in TEN-T projects and in projects supporting co-modality, energy efficiency in transport, intelligent transport systems and urban transport mobility.

3.1.5. *Gender equality*

The Commission has worked to implement the “Roadmap for Equality between Women and Men”, reflecting the Commission’s commitment to this issue. In this context, gender equality and gender mainstreaming are cross-cutting issues linked to all programmes in the new Cohesion Policy Period 2007-2013. A meeting of the High Level Group on Gender Mainstreaming in the Structural Funds in June 2007 underlined the importance of involving gender bodies in the design and implementation of programmes.

3.2. **Coordination of instruments**

3.2.1. *The Structural Funds and the Cohesion Fund*

Aid granted by the Cohesion Fund provides financing for transport infrastructure projects in the fields of trans-European networks and the environment. The Cohesion Fund enables the beneficiary Member States to channel significant public investment into these two fields of common interest, while meeting the objectives of reducing the budget deficits set out in the convergence and stability programmes drawn up as part of Economic and Monetary Union.

Following the enlargement of the European Union in May 2004, the ten new Member States are covered by the Cohesion Fund. In the period 2000-2006, before the latest enlargement on 1 January 2007 to include Romania and Bulgaria, there were 13 beneficiary Member States. As a result of its economic growth, Ireland has not been eligible for the Fund since 1 January 2004.

The principal instrument for coordinating funding under the Cohesion Fund and the Structural Funds is the strategic reference framework (SRF), which covers the whole of the 2000-2006 period. Council Regulation (EC) No 1265/1999 amending Annex II to Regulation (EC) No 1164/94 provides that “Member States shall also provide the results of the environmental impact assessment in conformity with Community legislation, and their consistency with a general environmental or transport strategy at administrative unit or sector level”.

The four “old” Member States benefiting from the Cohesion Fund presented their SRFs for the environment and transport sectors at the end of 2000. The ten new Member States submitted theirs during the first half of 2004. Since then, decisions to finance projects by the Cohesion Fund have been subject to a verification process to avoid duplication with programmes adopted under the Structural Funds. In addition, SRFs improve the complementarity between the two instruments.

Thus, in certain cases, these SRFs form an integral part of the programmes approved under the Structural Funds for the period 2000-2006; this improves coordination between funding under the Cohesion Fund and the Structural Funds.

3.2.2. *The Structural Funds and the EIB/EIF*

Jessica — Joint European Support for Sustainable Investment in City Areas

With its focus on promoting sustainable investment, growth and jobs in Europe’s urban areas, the JESSICA initiative is positioned at the core of the renewed Lisbon agenda.

It introduces a cultural shift in how Structural Funds support is delivered, encouraging recyclable forms of assistance and moving away from the exclusive reliance on grants.

JESSICA allows managing authorities to use some of their Structural Funds allocations to invest in Urban Development Funds and thus to recycle financial resources in an effort to enhance and accelerate investment in urban areas.

A “Preliminary Evaluation Study” carried out by the EIB and the Commission on a sample of representative “old” and “new” Member States provided a first estimate of the potential demand and an overview of existing structures for urban investments under JESSICA.

In a bid to highlight the advantages of increasing the use of financial engineering instruments in the context of cohesion policy and to raise awareness regarding the possibilities offered by JESSICA, kick-off meetings with representatives of the EIB and the Commission have been organised.

Up the end of 2007, these kick-off meetings had already taken place in sixteen Member States. Meetings should be organised as soon as possible in the remaining Member States.

The EIB will carry out detailed JESSICA evaluations for Member States or regions genuinely interested in this initiative. The results will be made freely available to Member States, to help them organise urban investments funded by the ERDF and the private and banking sectors under the JESSICA initiative.

JASPERS

In 2005, the Commission agreed in principle with the EIB and the EBRD to step up cooperation, especially with the Member States that joined the EU in 2004 and Romania and Bulgaria. Because of the relative lack of experience of the national administrations with project preparation, it was agreed to establish a new joint structure called JASPERS (Joint Assistance to Support Projects in European Regions) to assist those twelve Member States with the preparation of major projects. JASPERS headquarters is at the EIB in Luxembourg, but it was agreed to base the majority of the new expert staff to be recruited close to the beneficiaries in regional offices in Warsaw, Vienna and Bucharest.

The new facility came into operation in 2006, drawing on the core staff provided by the EIB and the EBRD (target input: 16 and 5 staff years respectively). Following an intense period of recruitment of new staff and finalising legal agreements in 2006, JASPERS expanded rapidly during 2007 with the first of the new expert staff arriving in January, building up to close to target size by mid-year.

Action plans (work programmes) for 2007 were agreed with all twelve of the beneficiary countries by mid-year. The JASPERS regional office in Warsaw was formally opened in January, followed by the Vienna office in May and the Bucharest office in June.

By the end of the year, JASPERS had staff of 54 experts and a portfolio of 266 projects and horizontal studies; 21 assignments were completed during the year.

JEREMIE

The new JEREMIE initiative to improve access to finance for SMEs in the regions was launched jointly by the Commission and the EIB group in 2006. It made a very successful entry, in 2007, in the lives of the regions, the managing authorities, and the business and banking sector. JEREMIE is now part of the new generation of operational programmes approved in 2007, and has already been launched in several Member States and regions.

In 2007, Greece was the first Member State to sign a funding agreement with the EIF, the JEREMIE holding fund tasks being assigned by way of a grant. Hungary opted to implement JEREMIE, signing a funding agreement in 2007 with a national financial institution, designated by national law, which is assigned the JEREMIE holding fund tasks. By the end of 2007, JEREMIE actions were scheduled in more than 85 operational programmes approved by the Commission for the programming period 2007-2013. Overall, about twenty Member States have already made clear

their intentions to implement JEREMIE, while the other Member States were examining ways of joining the initiative at a later stage.

The EIF is certainly a key player in implementing JEREMIE. About fifteen Member States are expected to implement JEREMIE, working jointly with the EIF, the latter acting as a holding fund, either at national or at regional level. The Commission finances 85% of the cost of gap analyses offered to regions and Member States, while the EIF co-finances the other 15%. A total of 36 JEREMIE gap analyses, identifying gaps between supply and demand for access to finance by SMEs in Member States or regions, were completed by the EIF in 2007.

DG REGIO and the EIF jointly carried out a wide-scale information campaign in 2007 to promote and explain JEREMIE to Member States and regions, to SMEs in the regions and to European enterprise and industry associations such as Euro-business, Euro-chambers, Eurada, etc. Several JEREMIE events and workshops involving regions and SMEs took place in October in the context of the 2007 OPEN DAYS.

Resources from about 85 ERDF operational programmes that envisage the possibility to implementing the JEREMIE facility in the period 2007-2013 are put at around EUR 2.5 billion. The total public and private resources expected to be invested under JEREMIE to enhance SMEs' access to finance in the regions could reach EUR 15 billion for the period 2007-2013. This would be a considerable improvement on the estimated EUR 3 billion invested in the same objective by ERDF operational programmes for the period 2000-2006.

Building on its Communication on financing SME growth (2006), on 23 November 2007, the Commission adopted an initiative for the development of micro-credit in Europe in the form of a Commission Communication to the Institutions. This communication was drafted with the aim of developing a sustainable micro-credit market with the JEREMIE instrument and contributing to the growth and jobs objective of the Lisbon agenda.

This micro-credit initiative of the Commission's addresses existing instruments and highlights strands where there is room for improvement, i.e.

- improving the legal and institutional environment in the Member States;
- changing the climate in favour of entrepreneurship;
- promoting the spread of best practices; and
- providing additional financial capital for micro-finance institutions (MFIs).

The Commission estimates that there is potential demand for over 700 000 micro-loans in Europe, amounting to some EUR 6 300 million, which is not given adequate consideration by traditional banks for various reasons (high administrative costs compared to the size of the loan, absence of collateral, etc). To fill this gap, the Commission seeks to help the emergence of new non-bank micro-finance institutions (MFIs) and thus to develop a layer of reliable and sustainable financial intermediaries, which, in turn, will disburse loans to micro-borrowers.

As part of this initiative, the Commission will channel technical assistance resources from Cohesion Policy into develop mentoring services for MFIs and provide technical support and accompanying measures in addition.

A micro-fund to increase the provision of repayable capital for non-bank MFIs is being established by the EIB in the pilot phase of the Commission initiative. It will be managed by the EIF. The critical mass of this micro-fund will be some EUR 40 million, to which the EIB Group will contribute substantially.

4. EVALUATIONS

In 2007, the Commission continued to carry out evaluations to support decision-making under cohesion policy.

ERDF

Three strategic evaluations, published in 2006, have contributed to the quality of the programmes agreed during 2007 for the 2007-2013 period. In addition to country-level recommendations, the evaluations concluded the following:

- The Strategic Evaluation on the Environment and Risk Prevention came to the conclusion that, without Structural Funds assistance over the 2007-2013 period, the time needed for the Member States to achieve compliance with the environmental *acquis* would be extended by a factor of four, posing serious regional disadvantages.
- The Strategic Evaluation on Transport Investment Priorities highlighted the importance of Structural Funds assistance in addressing missing links in existing networks and the potential to generate spillover effects.
- The Strategic Evaluation on Innovation and the Knowledge-based Economy confirmed the need for increased investment in research, technological development and innovation (RTDI), compared to the 2000-2006 period.

Other evaluations completed in 2007 were as follows:

- An analysis of the impact of cohesion policy, providing estimates for a number of economic variables, including economic growth, employment, capital formation, structural change and trade effects.
- Development of evaluation capacity in the EU Member States, a study resulting in an analytical framework that addresses multiple aspects of evaluation capacity development. This framework can be used either as a means of monitoring and comparing evaluation capacity development across the EU, or as a self-assessment or diagnostic tool by any individual Member State.
- A study on the economic impact of convergence, aiming to quantify the economic impacts of convergence assistance in a number of selected countries for the period 2007-2013. The study came to the conclusion that Structural Funds will have positive impacts in all the recipient countries, real GDP increasing by 15% more than the business-as-usual level by the year 2020 in some countries.

These positive impacts will continue even after the end of the financial period 2007-2013, thanks to TFP increased growth, higher labour productivity, and more accumulated human capital and better infrastructure.

In 2007, the Commission launched the ex post evaluation of Objectives 1 and 2 for the 2000-2006 period, a total of 12 interlinked phased “work packages” to explore different aspects of the effectiveness and efficiency of cohesion policy. The first interim results of the study will be used during the forthcoming policy review of the EU budget in 2008/2009 and in the discussion of the future of cohesion policy.

Another important task of the Commission is to provide methodological guidance to the Member States and organise exchanges of experience. To this end, EVALSED, the online and interactive resource for the evaluation of socio-economic development, is currently being updated.

ESF

To assess the actual results and impacts of assistance, new monitoring systems and evaluation arrangements have been set up at national level under the guidance of the Commission. One of the major positive changes in this programming period are the more stringent evaluation requirements, which place the focus on up-to-date information on what the ESF does and what it achieves in terms of socio-economic change. The adoption of fewer, more useful and objective-focused indicators was secured through extensive negotiations.

Following the successful adoption of NSRFs and OPs for the 2007-2013 period, a summary overview of all Operational Programmes was commissioned by the Evaluation Unit and will be available by mid-2008. Preparation for the new programming period also included the planning of future strategic evaluations (to be launched by DG EMPL) on the contribution of the ESF to different policy areas.

In 2007, the Commission continued to manage the implementation of the 2000-2006 programmes. A number of thematic evaluation activities were completed:

- (a) ESF monitoring and evaluation systems in the Member States,
- (b) ESF support for management of the anticipated economic change and restructuring,
- (c) ESF contribution to employment and other policies by way of support for systems, structures and accompanying measures.

The main objective of these evaluations was to draw lessons for the new programming period.

Evaluation of the EQUAL Community Initiative continued throughout 2007, the aim being to identify as many successful innovative practices as possible (on combating discrimination and promoting equality for vulnerable groups), for subsequent mainstreaming into ESF-funded programmes.

2007 was also a year of preparation for the ex post evaluation of the 2000-2006 ESF programmes. More specifically, two preparatory studies, which were needed to

collect essential information for the main ex post exercises, were carefully planned in 2007, one of them, on data availability, being launched in 2007.

5. CONTROLS

5.1. ERDF

Closure of programme period 1994-1999

Closure audits have been completed on a sample of 56 mainstream programmes and one INTERREG programme, covering all EU-15 Member States. The programmes audited give a 20-60% coverage of the ERDF contribution in all Member States, with one exception, and overall coverage of 35% of the ERDF contribution to mainstream programmes (31% of the total ERDF allocation). At the end of 2007, 18 enquiries had been closed and corrections totalling EUR 23.9 million had been applied (including a formal Commission decision of EUR 9.6 million). Final position letters have already been sent or hearings set for 25 programmes. For the remaining fourteen cases, the final position letters are being prepared, the aim being to complete all financial correction procedures in 2008.

Programme period 2000-2006

For the ERDF, an audit enquiry was started in mid-2004 to examine the effective functioning of key elements of the management and control systems in the Member States for mainstream programmes. The audits comprise two phases, a systems review and an audit of a representative sample of projects. The on-the-spot audit work initially planned was concluded by the end of 2006 for the EU-15 and by the end of 2007 for the EU-10. Additional audits were carried out on 25 programmes in 2007, to extend coverage or address specific risks where identified by audits, or to follow up on the implementation of action plans.

At the end of 2007, 214 audit missions (of which 13 INTERREG) had been carried out and 95 programmes had been audited. The programmes audited cover 41% of mainstream programmes and 61% of the planned ERDF contribution.

Based on the audit work performed, the main general risk identified continues to be insufficient management control by the management authorities and/or intermediate bodies, which is not offset by an effective certification function. The main specific risk is in the area of public procurement, where problem issues concern failure to observe the transparency principle, irregular complementary works, application of illegal selection criteria and tender evaluation. One of the main reasons for the deficiencies in EU-10 Member States is that staffing is still a persistent problem. Problems recruiting and retaining sufficiently qualified staff make for an ineffectual control environment.

In 2007, DG Regional Policy launched a new audit enquiry to check the reliability of the audit work of the winding-up body. The objective is to draw conclusions as to whether the audit work of the national bodies can be relied on as a main source of assurance for the remainder of the programming period and whether the winding-up declaration will be based on adequate audit work and be a reliable source of

assurance at programme closure. Thirteen audits were carried out under this enquiry during 2007.

As regards INTERREG, DG Regional Policy launched a separate audit enquiry in 2006, which it continued in 2007. The particular challenge is that for most of the 81 INTERREG III programmes the management and control systems are different. Programmes to be audited have been selected on a risk basis, in the same way as mainstream programmes. This has been supplemented by an analysis of the results of a “self-assessment exercise” conducted by the national bodies using a questionnaire prepared by the Directorate-General, and by a detailed assessment of the annual control reports to help draw conclusions on non-audited programmes. Three additional programmes were audited in 2007, bringing the overall coverage to 35% of ERDF commitments. Also, one of the programmes was subject to a project audit and 2 follow-up audits were carried out.

Other audit work for the programming period 2000-2006 included the examination of the annual control reports received (132 in total) under Article 13 of Regulation (EC) No 438/2001 and the review of national system audit reports (231 in total).

By the end of 2007, 10 annual bilateral meetings with national audit bodies had taken place, at which updates on audit work, progress on sample checks and follow-up of findings were reported. The other meetings were concluded by early February 2008.

To help bring about further improvements, reduce the level of errors and show that the structural actions budget is being effectively managed, in February 2008 the Commission adopted a “Communication on an action plan to strengthen the Commission’s supervisory role under shared management of structural actions” (COM(2008) 97 final). The action plan includes specific outputs and deadlines and focuses on correcting system deficiencies through implementation of the Structural Funds DGs’ audit strategy, improving financial correction mechanisms, preparing for closure, finalising actions under the Commission Action Plan towards an Integrated Internal Control Framework and taking preventive measures for the programme period 2007-2013. The Commission has committed itself to providing the European Parliament with quarterly reports on implementation of the Action Plan.

5.2. ESF

Main outputs achieved in 2007

95 audit missions were organised by DG EMPL in 2007. These involved audits of (a) unaudited (in part, or in full) operational programmes identified in the 2007 risk analysis and (b) follow-up missions on the implementation of recommendations issued by the ESF audit unit or on the results of audits undertaken by the European Court of Auditors (ECA). The subjects of these 95 audit missions can be broken down as follows:

- 9 missions relating to the closure of the 1994-1999 programming period;
- finalisation of audit work on 1994-1999 closures carried out in late 2006 in Germany and Ireland, the organisation of four wrap-up meetings for these specific audits. Four closure audits 1994-1999 were carried out in three Member States

(France, Italy (2) and Spain). A follow-up mission on the ECA's closure audit in Sweden was undertaken. The closure audit in Belgium will be carried out in 2008;

- 86 missions relating to the audit of the management and control systems in place for the 2000-2006 programming period;
- 10 audit missions of unaudited EU-15 operational programmes (or parts of operational programmes, mainly decentralised systems);
- 4 missions to the EU-10 in preparation for the 2000-2006 closure;
- 54 audits on substantive testing of operations (sample checks, including desk review and on-the-spot visits). Of these 54 audits, 20 related to programmes implemented in the EU-10 and 34 in the EU-15;
- 18 follow-up missions, of which 5 in the EU-10 and 13 in the EU-15.

Problems identified throughout the audits in the EU-25 in 2007 were: inadequate first level checks, insufficient certification procedures, breaks in the audit trail, insufficient separation of duties, deficiencies in performing 5% checks and issues related to the IT systems used in the management and control of the ESF. Four early warning letters were issued by DG EMPL/I.3 in 2007. The Member States and regions concerned are: France/Guadeloupe, Germany/Hamburg, United Kingdom/Scotland and Luxembourg.

From the findings of the Commission, Member State and Court of Auditors audits, results were available for 225 out of a total of 239 OPs (94.1%) at the end of 2007.

The cumulative coverage (in amounts) of the 2000-2006 programming period, including additional coverage by national audits, reached 98.9%.

Substantive testing of (groups of) programmes was carried out in 2007, 433 projects being covered by desk reviews and 270 by on-the-spot visits. This will be continued in 2008. The main objective of these audits is to confirm the level of assurance obtained by the ESF audit unit through the systems audits. Some 520 projects are scheduled to be audited in the course of 20 audits in 2008.

Preparatory work for the 2007-2013 programming period

Compliance Assessment and Audit Strategy: the ESF audit unit has prepared for a major challenge in 2008, namely, to analyse and report to the Member States on approximately 117 compliance assessments and 117 audit strategies. The procedural framework, checklists, standard notes, etc., were developed in cooperation with DG REGIO. A monitoring tool was developed within the ESF audit unit to screen the timing of each compliance assessment received.

DG EMPL channelled considerable human resources into the development of guidance notes and explanatory documents for the Member States for the new programming period 2007-2013. 22 training seminars were organised and delivered for the Member States' Audit Authorities, mainly during the second half of 2007. The topics discussed related to various issues such as statistical sampling, risk analysis, role of the audit authority, compliance assessment, audit strategy, reliance

on the work of other auditors, etc. Following these seminars, the ESF audit unit, in cooperation with DG REGIO, provided assistance to the Member States in the form of a “Frequently Asked Questions” brochure.

The ESF audit unit has also been heavily involved in the process of developing and issuing guidelines to the Member States. The guidelines developed are:

- Guidelines for Compliance Assessment of the management and control systems;
- Guidelines for the Audit Strategy applicable to the delivery of operational programmes;
- Guidelines and development of key requirements for the management and control systems;
- Guidelines on the use and implementation of the flat rate for overheads (DG EMPL only);
- Guidelines on statistical sampling;
- Guidelines on annual summaries; and
- Guidelines on financial corrections for public procurement irregularities.

Lastly, the ESF audit unit participated in a fact-finding mission to Poland. This mission was organised at the request of the geographical desk, with the objective of monitoring implementation of the IT system (SIMIK 2) developed for the 2007-2013 programming period.

Annual summaries

The Commission has completed its first assessment of the annual summaries submitted and has sent letters to most Member States. The letters already sent cover all cases of serious non-compliance. Where necessary, Member States that have not completely followed the recommendations in the Commission’s guidance note are requested to provide revised annual summaries. Since these points do not constitute a formal legal requirement, the Commission cannot take any further action, but it will continue to encourage Member States to adopt best practices.

The majority of the Member States have complied, or mainly complied, with the minimum requirements regarding the information to be provided, as set out in the guidance note. The formal submission of this information by the Member States increases the accountability of the Member States as regards use of the Funds and contributes to the Commission’s assurance. However, only a limited number of Member States followed the Commission recommendations to maximise the value of the annual summaries. In addition, in cases where an overall analysis was made or an opinion given, the quality could still be further improved. This can be explained, at least partially, by the fact that this was the first year of application of the requirement and that many Member States decided only a few weeks before the deadline to provide information on the 2000-2006 period. Overall, the results provide a good basis for encouraging Member States to present annual summaries next year of

generally better quality, which will make a more significant contribution to assurance for structural actions.

5.3. EAGGF

DG AGRI adopted the same basic approach as DG REGIO and shared the same general objectives.

As regards the 1994-1999 period, the ex post audit programme had already been completed in 2006. A number of financial correction procedures are under way: bilateral meetings held with the Member States in 2007 covered 2 programmes. Four financial correction decisions covering 12 programmes were adopted by the Commission during the year.

For the period 2000-2006 (EU-25), 19 programmes covering 18% of planned expenditure were audited in 2007. By the end of the year, a total of 87 out of the 152 approved EAGGF-Guidance programmes had been audited. The programmes audited cover 92% of the planned EAGGF contribution and 57% of the number of programmes. Typical problems identified were: inadequate management controls, failure to verify eligibility criteria against the provisions of agricultural legislation and a low level of independent controls. These findings are being followed up with the Member States concerned and may lead to financial corrections. A number of financial correction procedures are under way. One financial correction decision covering one programme was adopted by the Commission during the year.

5.4. FIFG

Closure of the programme period 1994-1999

By the end of 2007, 43 out of 52 programmes had been closed, one is in the process of being closed, and six will be subject to a financial correction procedure by the Commission under Article 24 of Regulation 4253/1988. The closure proposal letter is being prepared for the last two programmes. The percentage of programmes closed or in the process of being closed covers 84.6% of the total.

Outstanding commitments (RAL) on programmes not yet closed amount to EUR 36.5 million, which is EUR 5.8 million less than in 2006. This is 1.3% of the total amount allocated to FIFG programmes for the period. The financial corrections requested by DG MARE during the closure exercise amount to EUR 113.1 million, i.e. 4% of the total amount allocated to FIFG programmes. Of this total, EUR 38.9 million was accepted by the Member States, which was covered either by reduced payments or by recovery orders.

The amount still under discussion, which may be subject to financial correction procedures by Commission Decision, comes to EUR 83 million,⁴ which is 2.66% of the total amount allocated to FIFG programmes.

The table below shows the situation regarding closure procedures as at 31 December 2007.

⁴ Including a correction of EUR 9 million for the Spadare measure.

31/12/2007	No of OPs	FIFG Budget	Corrections
Programmes closed	43	1 409 211 498	38 889 317
Programmes not yet closed	7	1 301 159 775	74 251 021
Programmes for which final proposal to be made	2	72 462 000	n.a.
TOTAL	52	2 782 833 273	113 140 338

Programme period 2000-2006

The ex post control sector carried out a total of ten on-the-spot controls in the course of 2007 for the FIFG.

The ten FIFG audits carried out in 2007, covering twelve operational programmes, focused on the verification and follow-up of the effective functioning of management and control systems for the period 2000-2006. The audits tested key controls in place in the management and control systems, combined with sample checks of projects by desk review and on-the-spot visits to projects and beneficiaries. These audits indicate that, of the programmes/systems audited by the DG in 2007, two function well (category 1), five function but need improvement (category 2) and five do not work (category 3).

For the five operational programmes classified under category 3 the findings show weaknesses in key control elements, such as: 1) managing authorities do not carry out sufficient on-the-spot visits, 2) the certification process by the paying authority is weak and 3) there is no follow-up of corrections. An action plan has been agreed with the national auditors. Reporting on the implementation of corrective actions should be provided in 2008.

The other seven programmes/systems audited in 2007 were classified in categories 1 (reasonable assurance) and 2 (reasonable assurance with limitations/acceptable assurance) depending on whether no deficiencies or only minor deficiencies in key and/or ancillary control elements were detected.

In total, 79 projects were checked by desk review and/or on-the spot visits for a total eligible amount checked of EUR 102.5 million with FIFG participation of EUR 48.2 million. An amount of EUR 10.3 million was identified as potentially ineligible. This potentially ineligible amount represents 0.40% of the Community contribution of audited programmes and 2.00% of the total amount paid out by DG MARE in 2007 for the co-financing of FIFG programmes.

Since the beginning of the programming period 2000-2006, DG MARE has carried out a total of 36 audit missions, covering all of its mono-fund programmes (18 programmes for a budget contribution of EUR 3 608.73 million — 87.1% of total 2000-2006 budget) as well as 13 of its multi-fund programmes for a contribution of EUR 269.48 million — 6.5% of total 2000-2006 budget. In total, DG MARE systems audits have covered 93.6% of the total FIFG contribution for 2000-2006. For the

other programmes, the assurance is gained from other Structural Fund DGs' audit work and/or national audits.

The overall result shows that 49 programmes (covering 93.15% of the FIFG 2000-2006 allocation) are considered to be working well or working but some improvements are needed. For the 7 programmes that do not work (6.66% of the FIFG 2000-2006 contribution), actions plans have been issued and payments interrupted. The maximum amount at risk is estimated for most programmes at 10% of payments made in 2007 (which is 0.49% of 2007 payments).

Other audit work for the programming period 2000-2006 included an examination of the annual control reports received under Article 13 of Regulation (EC) No 438/2001. Analysis of the reports was concluded with the dispatch of replies to the Member States with observations and, where necessary, requests for additional information in order to draw as much assurance as possible from the results of national audit work. Furthermore, all national system audit reports received in 2007 were reviewed, giving rise in some cases to further observations/enquiries for the annual coordination meeting or even interruption of payments in cases where an adverse opinion was given by the national audit authority on the management and control systems.

5.5. OLAF

In 2007, OLAF undertook 37 missions in the Member States relating to measures co-financed by the Structural Funds. Of these, 19 concerned on-the-spot checks⁵ (during which 26 controls were carried out on economic operators) and 18 others gathered information or assisted either national administrations or judicial authorities. Typical problems identified by OLAF in the course of 2007 included false declarations, false invoicing and failure to abide by public procurement rules.

In 2007, Member States submitted to the Commission, in accordance with Regulation (EC) No 1681/94,⁶ some 3 740⁷ notifications of irregularities involving EUR 717 431 387 affecting co-financed measures from the 1994-1999 and 2000-2006 programming periods. 124 notifications concern the 1994-1999 programming period, with a financial impact of approximately EUR 33 million. Member States have informed the Commission that administrative and/or judicial procedures have been concluded at national level in a number of cases and an amount of EUR 153 465 848 has been recovered.

In 2007, both the number of notifications and the amounts involved increased by around 19.3% and 17.9% respectively, as compared to the year before. The main explanations for this new increase seem to be: 1) a higher number of irregularities from the new Member States (EU-10) as a result of full implementation of the programmes and better understanding and implementation of the reporting obligation; and 2) the fact that the cohesion policy came under particular "pressure"

⁵ Regulation (EC) No 2185/1996, OJ L 292, 15.10.1996, p. 2.

⁶ OJ L 178, 12.07.1994, p. 43.

⁷ 2006: number of communicated cases 2 988; overall amount relating to communications EUR 516 697 561.

from the control authorities. This is reflected in a higher number of irregularities than in 2006, even among the old Member States (EU-15).

The most frequent types of irregularities reported are “non-eligible expenditure”, while secondary irregularities include “infringement of rules of public procurement” and “missing or incomplete supporting documents”.

The figures demonstrate increased awareness and better reporting by the Member States, in conformity with their Community law obligations.

Furthermore, on 7 November 2007 the Commission approved the Communication on the division of responsibilities and cooperation between the “authorising officers by delegation” in the Commission and OLAF for the financial follow-up of irregularities relating to expenditure under shared management in the Agricultural and Structural Actions areas [C(2007) 5709].

6. COMMITTEES ASSISTING THE COMMISSION

6.1. COCOF

The main points dealt with by the COCOF Committee can be classified in the following groups:

- points where the Committee acted as the Committee in the conventional comitology sense, namely, giving opinions on draft decisions of the Commission, e.g. Draft Decision amending Commission Decision 2006/769/EC of 31/10/2006 drawing up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational strands of the European territorial cooperation objective for the period 2007-2013 (Annex 1 on CBC and Annex 2 on Transnational Cooperation), and Draft Commission Decision concerning the financing of the programme for the use of operational and non-operational technical assistance at the initiative of or on behalf of the European Commission under the European Social Fund (ESF) for 2007;
- points where the opinion of the Committee was required in accordance with Regulation (EC) No 1083/2006, the general regulation governing the Funds for the 2007-2013 period, e.g. for the new programming period 2007-2013, Indicative guidelines on evaluation methods: Evaluation during the programming period — Working document No 5; Submission for opinion of the updating at mid-year of the various types of technical assistance measures to be financed by the ERDF and the Cohesion Fund under Article 45 of Regulation (EC) No 1083/ 2006 — Budget lines 13 01 04 01 and 13 03 20.

The COCOF Committee was most frequently active as the forum for presenting and discussing interpretative documents and notes of the Commission, the aim being to share the views with the Member States and to seek their opinions on the interpretations put forward. The main topics discussed were:

- Eligible expenditure in the 2007-2013 period;
- European Grouping of Territorial Cooperation;

- Guidance Note on the Audit Strategy;
- Guidance Note on Compliance Assessment;
- Guidance document on the annual summaries under Article 53b(3) of the Financial Regulation (annual summary of available audits and declarations);
- Guidelines for the determination of financial corrections applicable to expenditure co-financed by the Structural Funds and Cohesion Fund in relation to infringements of rules concerning public procurement;
- Information note of the Commission on ERDF support for investment in SMEs;
- Irregularities — Information under Article 9 of Regulation (EC) No 1681/94 (OLAF)
- “n+2” rule;
- Study on regional expenditure of the ERDF and Cohesion Fund.

6.2. ESF Committee

The Committee pursuant to Article 147 of the Treaty (ESF Committee) met three times in Plenary Session and its Technical Working Group seven times.

In 2007, the ESF Committee was consulted on 115 of the 117 ESF Operational Programmes for 2007-2013 (the other 2 Operational programmes (Martinique OP and Greece Contingency Reserve OP) will probably be adopted in 2008). It was also consulted on the Draft Commission Decision for ESF Technical Assistance in 2007 and on the Brochure for ESF use on family friendly policies.

The ESF Committee discussed implementation of the ESF and specifically the visibility of the ESF and the role of the ESF Committee and thematic evaluations for 2000-2006 concerning restructuring management and administrative capacity building.

The Technical Working Group was informed of the state of play regarding the adoption of Operational Programmes for 2007-2013. Among others, it discussed audit and control issues, evaluation issues, the “n+2” rule and simplification aspects, including the flat rate rule regarding the declaration of indirect costs and public tendering.

6.3. Committee on Agricultural Structures and Rural Development (STAR)

The STAR Committee met three times in 2007 and gave a favourable opinion on the amendment to a rural development programme (the SAPARD programme for CROATIA) under Article 4 of Council Regulation (EC) No 1268/1999.

6.4. Committee on Structures for Fisheries and Aquaculture (CSFA)

In 2007, the Committee was consulted on a number of issues: the draft Commission Regulation amending Commission Regulation (EEC) No 3440/84 as regards

conditions for certain trawls for vessels operating pump aboard systems; the draft Commission Decision on a Community financial contribution towards Member States' fisheries control, inspection and surveillance programmes for 2007 (second instalment); the draft Commission Regulation laying down detailed rules for the implementation of Council Regulation (EC) No 1966/2006 of 21 December 2006 on electronic recording and reporting of fishing activities and on means of remote sensing; the draft Commission Regulation on landing and weighing procedures for herring, mackerel and horse mackerel; and the Commission Decision designating the Community Fisheries Control Agency.

Part 2: Analysis by Member State

1. BELGIUM

2007-2013 programming period

Belgium will receive EUR 2.258 billion from the Structural Funds for period the 2007-2013, with EUR 638 million going towards the Convergence objective, EUR 1.425 billion towards the Regional Competitiveness and Employment objective and EUR 194 million towards the European Territorial Cooperation objective.

The Walloon province of Hainaut will benefit from the Convergence objective. As it is a region that would have been eligible for the Convergence objective if the threshold had remained at 75% of the average GDP of the EU-15 rather than the EU-25, Hainaut will continue to benefit from transitional support (phasing-out).

The remainder of Belgium is covered by the Regional Competitiveness and Employment objective.

In the previous programming period, certain areas also received Objective 2 subsidies (Meuse-Vesdre, Antwerp, part of the Namur province, the entire province of Luxembourg, West Flanders and East Flanders).

Strategic objectives — Given Belgium's institutional structure, each region has developed a strategy adapted to its own socio-economic characteristics.

ERDF (European Regional Development Fund) financing will benefit:

- Brussels-Capital Region: enhancing territorial cohesion and maintaining territorial competitiveness.
- Flemish Region: promoting the knowledge economy and innovation, stimulating entrepreneurship, using regional features that attract economic interest, and supporting urban development.
- Walloon Region: boosting business and job creation, developing human capital, knowledge, know-how and research, and ensuring balanced and sustainable territorial development.

ESF (European Social Fund) financing is focused on:

- Brussels-Capital Region: promoting active employment and social integration, and increasing the participation of women on the labour market.
- Flemish Region: upgrading the skills and competencies of the workforce to satisfy the demands of the knowledge economy and promote innovation.
- Walloon Region together with French Community (including Hainaut): developing employment, enterprises, human capital, knowledge, know-how, research and social inclusion.

- German-speaking Community: promoting active employment and social integration.
- Federal Belgium: supporting social integration.

Expected impact of the new Cohesion Policy — The country requires a strategy for encouraging investment in innovation and the marketing of high-tech products and services, and for providing real incentives for research and development in line with the Lisbon objective of devoting 3% of GDP to R&D by 2010. The authorities have adopted the Lisbon objectives: the employment rate should approach 70% for the total population, 60% for women and 50% for 55-64 year-old workers.

The programme should help to establish closer cooperation links between public and private research units, an attractive work environment for the highly qualified, financing channels suitable for venture capital, an efficient and coherent regulatory framework, reduced administrative procedures and a non-distorting tax system conducive to business activity.

Investment for growth and jobs — In line with Community goals, expenditure will be concentrated on the Lisbon Strategy and cohesion objectives. 77% of Convergence subsidies and 85% of Regional Competitiveness and Employment subsidies will go towards Lisbon priorities.

Operational programmes — Cohesion policy in Belgium will be implemented via ten operational programmes, of which four will be financed by the European Regional Development Fund (ERDF) and six by the European Social Fund (ESF).

2000-2006 programming period

1.1. Objective 1

Two new amending decisions were adopted in April and October 2007. The first concerned the adoption of the financial plan in each axis, following approval by the monitoring committee 18 December, and adjustment of the financing plan to make for optimum consumption of the budget. The second decision confirmed the “n+2” decommitment for EAGGF (2004 commitment).

The level of expenditure presented for payment to the ERDF amounted to 88% of ERDF appropriations (EUR 375 908 847.13) at the end of 2007. Global execution for EAGGF-Guidance at the end of 2007 amounted to 70% of EAGGF appropriations (EUR 29 392 295). For ESF, payment claims submitted to the Commission at the end of 2007 amounted to 73.74% of total ESF appropriations (EUR 147 637 970). No payment requests were submitted in 2007 for the FIGG.

1.2. Objective 2

For the seven programmes under the Objective 2 from which Belgium benefits, the 2006 annual reports for each programme were approved by the corresponding monitoring committees, submitted to the Commission and examined by the Commission. Two monitoring committees were organised in June and December 2007 for each programme.

The main subjects dealt with by the monitoring committees were:

- approval of the 2006 Annual Implementation Reports,
- programme changes mentioned above and below,
- follow-up of the “n+2” situation,
- a state of play with the new 2007-2013 NSRFs and OPs.

As regards the Objective 2 SPD in Walloon Region (Meuse-Vesdre and Rural), the monitoring committees ratified modifications in December 2007 based on sound management of each programme, thus requiring a new adjustment of the financing plan and adoption of a new programme complement in 2008. The levels of ERDF expenditure are respectively EUR 108 766 922.51 and EUR 43 861 424.61, which correspond to 79% and 80% of ERDF appropriation rates. The levels of ESF expenditure are respectively EUR 17 162 005 and EUR 3 656 156, which correspond to 66.7% and 64.92% respectively of ESF appropriation rates.

For all four Objective 2 programmes for Flanders, the allocated funds are fully committed. The payments level fully covered the required “n+2” level for the ERDF (total ERDF payments for Flemish programmes: EUR 153 320 537.41, which means average spending of 86.69% of the total ERDF contribution). For the three Objective 2 programmes involving the ESF in Flanders, payment claims submitted to the Commission amounted to EUR 12 120 543, corresponding to 70.73% of ESF appropriations.

For Brussels-Capital Region, the progress on ERDF expenditure (only an intervening fund) continued in 2007, thereby avoiding any decommitment under the “n+2” rule. The level of the expenditure presented for payment to the ERDF amounted to 76.03% of the ERDF allocation (EUR 34 952 654.85) at the end of 2007.

1.3. Objective 3

The total ESF appropriation for Objective 3 is EUR 798.4 million, divided over five operational programmes. All five programmes are performing according to plan. For the Federal SPD, the total ESF budget amounts to EUR 70.1 million. The level of expenditure declared to the Commission in 2007 amounts to EUR 29.8 million (42% of the total ESF appropriation). The Flemish programme has a total ESF budget of EUR 392.5 million. The entire budget has been allocated to projects. The declared expenditure at the end of 2007 amounted to EUR 312.0 million or 80% of the total ESF budget. The programme for the Wallonia-French Community programme has a total ESF budget of EUR 297.9 million. Total payments at the end of 2007 amounted to EUR 234 355 670. The ESF budget for the Brussels region amounts to EUR 24.7 million, 95% of which had been paid at the end of 2007. The German-speaking Community has a separate Objective 3 programme, with a total ESF budget of EUR 11.2 million. At the end of 2007, the expenditure claimed from the Commission amounted to EUR 10.6 million or 95% of the total budget. Implementation of this programme is finalised.

1.4. Fisheries outside Objective 1

Currently the total FIG allocation to the fisheries programme is EUR 23.57 million. The most important measures, in line with the Common Fisheries Policy, are scrapping of vessels, modernisation of the fleet, processing and marketing, collective investments and innovative measures. Implementation of the programme continued at a rather slow pace. As a result, with regard to the “n+2” target for 2007, the Commission envisages a decommitment of EUR 2.26 million.

1.5. Community Initiatives

1.5.1. Equal

There are two EQUAL programmes in Belgium: one for the French- and German-speaking communities, and one for the Dutch-speaking community. The French- and German-speaking programme proceeded without any major difficulties in 2007. In financial terms, the rate of execution of the ESF part of the programme at the end of 2007 was 66.83%. Automatic decommitment under the “n+2” rule was avoided for 2007. The Dutch-speaking EQUAL programme also proceeded without major difficulties in 2007. At the end of 2007, the rate of execution of the ESF part of the programme was 55.88%. There will be an automatic decommitment of EUR 0.510 million under the “n+2” rule. The two EQUAL programmes supported around 125 projects, mainly in fields such as employability, adaptability, life-long learning and social economy.

1.5.2. Leader

Belgium has two Leader+ programmes: one for Flanders, involving total public expenditure of EUR 7 984 200, and one for Wallonia, involving total public expenditure of EUR 20 669 294. For both programmes, the allocated funds have been fully committed.

At the end of 2007, total financial execution came to EUR 9 103 761, i.e. 63.54% of total EAGGF-Guidance expenditure earmarked for the period 2000-2006.

1.5.3. Urban

There are three URBAN II programmes in Belgium. The programmes for Brussels, Antwerp and Sambreville were all approved on 12 November 2001; two of them were amended in 2006 (Antwerp, Sambreville) and the other (Brussels) in 2007. Each programme originally receives EUR 7.173 million from the ERDF, but under the “n+2” rule at the end of 2005, the contribution was reduced to EUR 7.130 million for Antwerp and, at the end of 2006, to 7.083 million for Brussels. The total budget for Brussels is EUR 14.3 million, for Antwerp EUR 22.9 million and for Sambreville EUR 17.1 million.

Annual reports for 2006 were submitted by all three programmes and approved.

For all three programmes, the management authority is the region. The monitoring committee of each programme met at least once.

Two programmes reached the “n+2” targets for 2007. For Brussels-Capital, there was a decommitment of less than EUR 95 000. A new decision was adopted in 2008.

Overall comments concerning the 2000-2006 period in Belgium

The Sambreville programme is the biggest in Belgium and has already reached a significant number of their targets. Many of the projects have been completed or started. Some tangible benefits are starting to become visible in terms of jobs created, unemployed trained, SMEs started, companies expanding, etc. The added value of URBAN II is that it has made a big difference, by starting a dynamic that has changed the image of Sambreville, allowed it to attract a number of high value companies and put work in a stronger partnership with the private sector and the local population. The Antwerp programme had a very slow start, although the projects currently being developed should make the impact more tangible. The Brussels-Capital URBAN II programme has been seen as a small appendix to the Objective 2 programme, but it has been a successful addition to the latter and to urban regeneration agreements.

2. CYPRUS

2007-2013 programming period

The procedures for the adoption of the NSRF and OP for Cyprus for 2007–2013 were already advanced by early 2007. ERDF commitments of EUR 75.6 million were made in 2007 for the new programming period, with an advance payment of EUR 5.6 million.

The National Strategic Reference Framework for Cyprus for 2007–13 was submitted by the Cypriot authorities on 21 December 2006. The decision adopting the NSRF (C(2007) 2015) was taken on 7 May 2007. In 2007–13 Cyprus will have one ERDF/CF Operational Programme, which will cover both the Convergence and the Regional Competitiveness and Employment objectives.

The Operational Programme on Sustainable Development and Competitiveness was submitted on 5 March 2007 and approved on 17 September 2007 by Decision C(2007) 4351. It provides EUR 492 665 838 of Community funds for the years 2007–13, of which EUR 279 461 354 from the ERDF under the Regional Competitiveness and Employment Objective, while the Cohesion Fund will contribute EUR 213 204 484 under the Convergence Objective.

The ESF Operational Programme “Employment, Human Capital and Social Cohesion” was submitted on 5 March 2007 and approved on 8 November 2007 by Decision C(2007)5507-1. It will provide maximum assistance from the European Social Fund of EUR 119 769 154, as calculated with reference to the total eligible public expenditure. The maximum co-financing rate as a whole will be 80%. The strategic objective of the ESF Programme is full and quality employment, the development of human resources and the consolidation social cohesion and equal opportunities. An indicative 78% of ESF financing for the period 2007-2013 will be directed towards broader Lisbon-related priorities (earmarked).

2000-2006 programming period

2.1. Objective 2

Interim payments for EUR 6.1 million were paid into the 2004-2006 programme. The 2006 Annual Report for the Single Programming Document for 2004–2006 was approved by the monitoring committee, and received and approved by the Commission. A revised Programme Complement was received in the second half of 2007 and was accepted by letter of 6 February 2008.

A monitoring committee meeting for SPD 2 and an Annual Review meeting took place in Cyprus in 2007. For the new programming period 2007-2013, the first monitoring committee meeting and the launch event took place in November. In addition, various technical meetings and project visits were organised during the year.

2.2. Objective 3

An interim payment claim of EUR 6 022 906.97 was submitted by the Cypriot authorities on 21 December 2007, fully covering the 2005 commitment.

The 2006 Annual Implementation Report for the Single Programming Document for 2004–2006 was approved by the monitoring committee, and received and approved by the Commission.

A monitoring committee meeting for SPD 3 and an Annual Review meeting took place in Cyprus in 2007.

For the programming period 2007-2013, the first monitoring committee meeting and the launch event took place in November.

2.3. Fisheries outside Objective 1

The Fisheries Operational Programme for Cyprus, adopted by the Commission in 2004, entered its fourth year of implementation. At the end of 2007, most of the programme's resources had been allocated by the managing authority and payments reached nearly 60% of the total FIG available funds, avoiding the risk of loss of funds because of the "n+2" rule.

The monitoring committee met in 2007, covering mainly monitoring and evaluation of progress.

2.4. Community Initiatives

2.4.1. Equal

In 2007, EUR 286 165 of ESF payments were made for the CI EQUAL. Approximately EUR 280 000 falls under the "n+2" rule and will be decommitted.

3. CZECH REPUBLIC

2000-2006 programming period

During 2007, the relatively slow start in absorbing the Structural Funds of the programming period 2004-2006 improved. For most Operational Programmes a solid project pipeline has been developed, most of them have been contracted and implementation on the ground is advancing. Expenditures on the ground by the end of 2007 correspond to 70% of the total 2004-2006 budget.

The risk of losing part of the Structural Funds commitment by the end of 2007 due to the “n+2” rule was thus resolved for all programmes, including SPD Prague Objective 2 and the OP Human Resources Development, the programmes facing the most serious absorption problems.

In comparison with the other new Member States, the Czech Republic is still in the slower group of countries in terms of absorption of the Structural Funds, but there are signs of an upward trend. Weaknesses remain in the administrative capacity (including high turnover of staff) and in the management reporting systems, mainly at the level of the Ministry for Regional Development (national coordinator of all OPs) but also at the level of the managing authorities and certain intermediary bodies. Together with the lack of a reliable system of forecasts, these factors make it difficult for the Czech authorities to plan efficiently and to implement preventive measures. To improve the situation, the Commission has strongly recommended an action plan to establish a basic harmonised monitoring and information system to manage the funds.

The 2006 Annual Implementation Reports were submitted for each Operational Programme in good time. All of them were deemed admissible and thus accepted by the Commission without significant objections.

3.1. Objective 1

The Community Support Framework for the period 2004-2006 covers a total budget of EUR 1 954 million, of which EUR 1 454 million is contributed by the Structural Funds (63% ERDF, 25% ESF, 11.5% EAGGF and 0.5% FIFG). Five Operational Programmes are implemented under the CSF.

The CSF Managing Authority, at the Ministry for Regional Development, is responsible for the effectiveness, correct management and delivery of the support provided by the Structural Funds in the Czech Republic.

Two monitoring committees for the CSF met in 2007: one on 17 June 2007 and one on 18 December 2007. The annual report for 2006 was discussed during the meeting in June. The second meeting focused on the implementation of related Operational Programmes with a view to the upcoming closure. The need for efficient management and coordination at CSF level was also stressed.

The Joint Regional Operational Programme (JROP), the largest Czech OP with a share of 31.2% (EUR 454 million) of the total Objective 1 allocation (28% ERDF

and 3.2% ESF), held two monitoring committee meetings in 2006: one on 7 June 2007 and one on 14 October 2007. Implementation of the JROP measures has progressed significantly compared to 2006: 120% of the budget was approved by the end of 2007, 90% of that amount was executed, of which 74% was certified. The best performing JROP measures are the schemes supporting regional business infrastructure and the development of services in tourism. Payments were sufficient by and large to avoid any application of “n+2” rule for the 2005 commitment.

The Human Resource Development Operational Programme accounts for a share of 21.2% (EUR 318.8 million, ESF contribution) of the total Objective 1 allocation. One monitoring committee meeting took place on 14 June 2007, the second meeting being postponed until 5 February 2008. The annual meeting was organised on 25 September 2007. Implementation caught up during 2007, with almost 100% of the total budget of the OP being contracted, although in terms of (certified) spending the OP is still clearly lagging behind. The main sources of delay are the late start of OP implementation, fluctuation of staff and the need to manage a large number of small projects in a rather complex implementing system. The best performing measures are 3.1 (Enhancing the quality of education at school and school facilities) and 1.1 (Strengthening active employment policy for job seekers and job applicants). Interim payment claims totalling EUR 132 million were submitted by the end of 2007, which covers only 41.4% of the total budget for 2004–2006. Payments were nonetheless sufficient to avoid any application of the “n+2” rule for the 2005 commitment.

The Operational Programme Industry and Enterprise is the third largest OP with 17.9% (only ERDF) of the total Objective 1 allocation. Two monitoring committee meetings were organised for this OP in 2007: one on 4 June 2007 and one on 15-16 November 2007. This remains one of the best performing Operational Programmes, with 59% of the total budget executed, of which 46% was certified. Nevertheless, during the period under scrutiny, there was a certain slowdown in implementation, mainly due to organisational and administrative changes in CzechInvest, the principal intermediate body for this Programme. The most popular measures remain schemes supporting small and medium-sized enterprises, innovation schemes and two loan schemes aimed at starting entrepreneurs and firms in the initial development stage, whereas schemes targeting energy saving and renewable sources of energy are lagging behind for the moment. This Operational Programme had easily attained the threshold for the “n+2” rule for the 2005 commitment.

The Operational Programme Infrastructure (OPI) is the fourth largest OP, with almost 16.9% (only ERDF) of the Objective 1 budget allocation. Two monitoring committee meetings were held for this programme in 2007: one on 15 March 2007 and one on 9 December 2007. Implementation of the OPI measures has progressed significantly compared to 2006: 115% of the budget was approved by the end of 2007, in favour of 383 operations, payments on the ground cover 98% of the total budget and 75% of the total budget was certified. The best performing measures of OPI are those relating to transport infrastructure. Payments were sufficient by and large to avoid any “n+2” risks for the 2005 commitment.

The monitoring committee of the *Agriculture and Rural Development Operational Programme* held two meetings in 2007 (in May and November). The 2006 annual implementation report was submitted to the Commission in June

and was subsequently approved. Implementation of the programme is progressing a satisfactorily, the most popular measure being investment in agricultural holdings (making up almost 50% of the OP, for which almost 70% of the allocation has been paid). 65% of allocated funds had been utilised by the end of 2007. No changes were made in 2007. Three interim payment requests amounting to a total of EUR 64 530 125 were submitted to DG AGRI in 2007. This amounts to 38.01% of the total EAGGF-Guidance allocation for this OP for the period 2004-2006.

Fisheries

As FIGG execution was low, the OP Rural Development and Multifunctional Agriculture was changed in 2007 by Decision C(2006) 7276. The FIGG contribution has thus been reduced from EUR 7.25 million to EUR 4.1 million. Two payments paid in 2007 improved the spending rate instantly after the reallocation of unused financial resources from the FIGG (i.e. from measures 2.3 Fisheries and 3.1 Technical Assistance) to the EAGGF measures. The cumulative FIGG sum paid to the Czech Republic is EUR 3 905 million. At present, this fund has reached the 95% threshold of payment rate and is awaiting the closure procedure. One payment claim at the end of 2007 exhausted the remaining balance of the 2005 commitment, and thus there is no problem with the “n+2” rule. Regular monitoring committee meetings are held.

3.2. Objective 2

The Single Programming Document Prague Objective 2 receives support of EUR 71.3 million from the Structural Funds (only ERDF). Two monitoring committee meetings were organised for this programme in 2007. Despite a marked acceleration in project implementation in 2007, progress on the SPD Objective 2 was still lagging behind other Operational Programmes in the Czech Republic to some extent. The principal reason lies in the fact that right, after its launch, the SPD2 Prague had concerns with an insufficient number of projects in the pipeline, a fact that hindered successful absorption of the available budget. Nevertheless, the whole allocation was approved (allocated to projects) during 2007, compared with only 15.5% of the total available budget approved by the end of 2006. The best performing measures are the ones dealing with transport systems and improvement of public infrastructure in the suburban areas of Prague. 91% of the latter measure was already executed by the end of 2007. The risk of “n+2” rule was finally avoided at the end of 2007.

3.3. Objective 3

The Single Programming Document Prague Objective 3 receives EUR 58.79 million from the Structural Funds (ESF only). Two monitoring committee meetings took place in 2007: on 13 February 2007 and on 13 June 2007. The annual meeting was organised on 25 September 2007. Implementation caught up during 2007, with almost 100% of the total budget contracted to projects, although in terms of (certified) spending the SPD is still lagging behind somewhat. The main sources of delay are a late start to OP implementation, low absorption capacity and the need to manage a large number of small projects in a rather complex implementing system. The best performing measures are 3.1 (Development of initial education as a basis for lifelong learning) and 2.1 (Integration of specific groups at risk of social

exclusion). Interim payment claims totalling EUR 29.5 million were submitted by the end of the year 2007, which covers 50% of the total budget for 2004–2006 and was enough to avoid decommitment at the end of 2007.

3.4. Community Initiatives

3.4.1. Equal

The Czech EQUAL programme receives support of EUR 32.1 million from the ESF. Two monitoring committee meetings took place in 2007: on 12 June 2007 and on 19 December 2007. Financial implementation improved during 2007, although in terms of (certified) spending the programme is still lagging behind. The programme is reaching implementation, and the Czech authorities are working intensively to mainstream the results of this initiative. There are six thematic networks established in the Czech Republic:

- Integration of people with difficulties into the labour market
- Entrepreneurship
- Social economy and community services
- Adaptability and lifelong learning
- Equal opportunities for men and women;
- Integration of foreigners and racially discriminated persons into the labour market.

Interim payment claims totalling EUR 15.5 million were submitted by the end of 2007, which accounts for 48% of the total budget for 2004–2006 and was still enough to avoid decommitment at the end of 2007.

4. GERMANY

2000-2006 programming period

The overall performance of programme implementation in German regions was good and, in general, the core targets can be expected to have been globally attained, despite the fact that some programmes have suffered an “n+2” loss. Managing authorities regularly inform their monitoring committees about programme execution in financial terms, with respect to the targets set for each (sub-)period, and the development of key indicators such as jobs created and investment volume co-financed, as compared to the targets set for the programme. In addition to that, information on programme execution is delivered in the annual implementation reports. Apart from issues concerning programme execution, the main focus of discussions in the monitoring committee meetings was on the preparation of the new programming period.

In addition to their duties regarding implementation of the 2000-2006 programmes, the managing authorities led and/or followed negotiations with the Commission on the new operational programmes for the period 2007-2013. The National Strategic Reference Framework was adopted in May 2007. All 18 new ESF and 18 ERDF German operational programmes for the Objectives “Convergence” and “Regional competitiveness and employment” were submitted and successfully negotiated through to final adoption in 2007. The ESF will be managed through 18 programmes, including one multi-objective programme at federal level and one programme per Land (Niedersachsen being an exception with two ESF programmes).

4.1. Objective 1

Overall, financial absorption of ERDF contributions in German Objective 1 regions was very satisfactory in 2007 and attained more than 99%. The ESF reached 100%. Only the Objective 1 area of Berlin reported an amount of about EUR 12 million not spent from its 2005 commitment, which will be decommitted at closure.

The general outlook for all Objective 1 regions in Germany is very positive for 2008 (the final year of the programming period 2000-2006). ERDF and ESF contributions still to be claimed by the end of 2007 were below 10% of total 2000-2006 commitments. There was only one programme change made in 2007, by which Berlin adapted its financial plans to the “n+2” loss of about EUR 2 million incurred in 2004.

Each programme had to submit one or two programme complement changes to be accepted by the Commission. In the majority of the cases, these changes aimed to fine-tune the financial endowment at measure level so as to avoid financial losses at programme closure on 31 December 2008. A certain number of programme complements were adapted in view of the shortage of appropriate projects in certain measures, funds being shifted to other measures with more promising projects with a view to avoiding “n+2” losses.

The overall performance of physical programme implementation in the German Objective 1 regions was good and, in general, the core targets as set in the programmes can be expected to have been globally attained.

The FIFG Programme for Germany under Objective 1 performed well enough to avoid any decommitment at the end of 2007. Legally binding commitments by then amounted to EUR 91 495 213, payments to final beneficiaries EUR 86 920 452.

Since the beginning of the period, more than 2.7 million people have participated in ESF measures in Objective 1 regions. More than 40% of them were young people (17-24 years) and around 10% were start-ups. Within the different priorities, around 40% was spent on “Active and preventive Labour Market Policy”, 21% on “Society without Exclusion”, 8% on “Vocational Training, Systems and Infrastructure”, 20% on “Adaptability and Entrepreneurship”, 10% on “Equal Opportunities” and about 1% on “Local Social Capital”.

Six German regions benefit from EAGGF Objective 1 programmes.

Payments made by the Commission to the German regions in 2007 amount to EUR 312.617 million. The operational programmes for Berlin, Saxony-Anhalt and Mecklenburg-Western Pomerania reached the maximum level of 95% of the total Community contribution.

In 2007, 58.63% of 2006 commitments were used and the cumulative EAGGF-Guidance contribution during 2000-2006 reached 93.94% of total commitments.

4.2. Objective 2

Financial absorption of ERDF contributions in German Objective 2 regions was satisfactory overall and attained almost 98%. Three regions (Rheinland-Pfalz, Saarland and the Objective 2 area of Berlin) had not been able to absorb full their 2005 commitments by the end of 2007. Financial absorption of the ESF reached 100%. The outlook for 2008 is encouraging, however, since on average payment claims had not been submitted for only 13% and 20% of total 2000-2006 ERDF and ESF commitments respectively by the end of 2007.

Each programme had to make to one or two changes to its programme complement, which in some cases concerned adapting financial plans to the “n+2” losses incurred in 2004 (Baden-Württemberg, Bremen and Rheinland-Pfalz), and updating information contained in the programming documents in others. In a number of cases (for example in Baden-Württemberg, Hamburg, Nordrhein-Westfalen), changes had become necessary to respond to a shortage of good projects in certain areas, with funds being shifted to measures where more promising projects could be expected. These changes were made to avoid problems with the “n+2” rule.

Overall, however, the outlook regarding programme implementation is positive since no fundamental problems are expected for 2008 and the regions will generally meet the targets set in the programmes.

4.3. Objective 3

The Objective 3 programme is the largest in Germany, covering ESF support for the West German Länder and Berlin. It is partly managed by the Government (*Bund*) and partly by the *Länder*. With the implementation of the Labour Market reforms in Germany, an increasing share of the programme was shifted to the Länder. Support is granted to six priorities: i) “Active and preventive Labour Market Policy”, ii) “Society without Exclusion”, iii) “Vocational and general Education, Lifelong Learning”, iv) “Adaptability and Entrepreneurship”, v) “Equal Opportunities”, and vi) “Local Social Capital”. More than 2.5 million people have already participated in projects co-financed by the ESF. About one third of all participants are young people, a fact which reflects the particular attention given to this group. In 2006, about 58% of all unemployed young people living in the Objective 3 area were supported by the ESF.

A last modification of the Objective 3 Programme was requested at the end of 2006 and adopted in 2007. As a consequence, a change was made to the programme complement to adjust the financial plan. The change allowed the programme to be fine-tuned before closure. The measures to fight against youth unemployment, to promote Lifelong Learning and Local Social Capital saw an increase in budget allocation whereas the priority Adaptability and Entrepreneurship was once again reduced due to insufficient take-up.

Two meetings of the monitoring committee were organised in which DG EMPL participated. During these meetings, particular emphasis was given to a possible “n+2” risk for the year 2007 and to the potential risk of unspent funds at closure. Whereas no funds were lost in 2007, some underspending remains likely at the closure of the programme.

4.4. Fisheries outside Objective 1

The Fisheries Programme for Germany outside Objective 1 faced another decommitment of EUR 6 434 197 at the end of 2007. Accumulated payments amount to EUR 46 170 796 or 67% of the commitments of EUR 69 426 526.

4.5. Community Initiatives

4.5.1. Equal

The German EQUAL programme proceeded without difficulties in 2007. Declared expenditure for 2007 did not cause any problem as payment requests were sent in more frequently than at the beginning of the programming period. The programme had no automatic decommitment under the “n+2” rule. In financial terms, the rate of execution of the ESF part of the programme at the end of 2007 was 85% (including payments on account). Following the amendment to the Decision in 2004, no further changes have been made. One monitoring committee meeting for the programme was held in June 2007, which mainly discussed the Annual Report and the mainstreaming of EQUAL activities.

Germany organised an event on business creation and social economy in June 2007, which looked at the mainstreaming of EQUAL projects and taking this forward to the

new ESF programming period. The EQUAL closure conference took place in December 2007.

4.5.2. *Leader*

Thirteen German regions (Bundesländer) and the national network participate in the Community Initiative Leader+.

In 2007, EUR 58.1 million was paid, bringing total payments to EUR 205.2 million, out of total commitments of EUR 267.4 million (77% of the total). Only Saxony Anhalt has reached the maximum level of 95% of the total Community contribution.

In line with the “n+2” rule, an amount of EUR 51 433 had to be decommitted from the Leader+ programme for North Rhine-Westphalia (relating to 2005). Implementation of the other programmes progressed satisfactorily. The annual report for 2006 was received and accepted in 2007 for all programmes except the one for Schleswig Holstein, which was approved at the beginning of 2008.

4.5.3. *Urban*

There are twelve URBAN II programmes in Germany, with a total ERDF contribution of EUR 150.9 million (Berlin, Bremerhaven, Dessau, Dortmund, Gera, Kassel, Kiel, Leipzig, Luckenwalde, Mannheim/Ludwigshafen, Neubrandenburg and Saarbrücken). The six programmes in the new Länder each receive EUR 15.1 million, with the exception of Leipzig, which receives EUR 14.9 million. The six programmes in the Western part of Germany each receive an ERDF contribution of EUR 10.1 million. The total eligible cost of the twelve programmes is EUR 276.8 million.

An annual report for 2006 was received for all programmes and accepted in 2007. For nine programmes, the managing authority is at the level of the “Land” whereas for the cities of Kassel, Kiel and Saarbrücken it was transferred to the municipal authorities during the course of the programme.

In general, the monitoring committees met once or twice a year, usually in spring and autumn 2006. Cities that met only once sent all the relevant information by written procedure to the members of the monitoring committees and sent updated information on the state of implementation of projects.

All German URBAN II programmes met the “n+2” rule for 2005 in 2007.

Overall comments concerning the 2000-2006 period

The performance of the German URBAN II Programmes can be described as “very successful”, both in implementation and in management. The main focus of the programmes was an improvement in the economic performance of distressed urban areas. Taking an applied integrated approach towards sustainable urban development, these economic measures were successfully combined with social, environmental and cultural activities. In addition, new forms of governance and the active involvement of citizens in the implementation of the programmes help to meet the (in part very) ambitious goals of the programmes.

Also, good management of the programmes supported the efforts made within the URBAN II programmes. The management of all German programmes has been effective and successful. A very innovative management approach was taken by the Mannheim-Ludwigshafen programme, where one joint programme for two cities (situated in two different Länder) led to new forms of cooperation between the cities, in and outside the programme context. In the cases of Kassel, Kiel and Saarbrücken, the role of the managing authority was successfully sub-delegated to the local (city) level.

Another European good practice is the bilateral “German-Austrian URBAN Network” — a platform of information for the thematic exchange of experience. Established in 1994-1999, the network to date includes the 12 German and the two Austrian URBAN II cities, plus several other interested cities/partners. Within the framework of this network, several high-ranking international URBAN Conferences were organised throughout this Structural Funds period (Strasbourg 2003, Saarbrücken 2005 and Graz/Maribor 2006). In 2007, three thematic meetings took place: on 19-20 April in Ludwigshafen and Mannheim, on 18-19 June in Gera and on 20-21 September in Dessau. The programme managers, the Federal Ministry for Economy and Technology and the Commission used these occasions to meet and discuss programme management issues.

4.6. Closure of the 1994-1999 programming period

ERDF

In 2007, three German Operational programmes, with an open amount of EUR 7 million, were closed, but there are still 15 programmes or Community initiatives to be closed, with an open amount of EUR 103 million. For three Saxony programmes, the Commission launched the procedure of financial corrections pursuant to Article 24 of Regulation (EC) No 4253/88, after completing the required procedural steps in 2007 without achieving consensus between the Commission and the Member State concerned. The Commission is expected to adopt a decision in the first half of 2008 whereby the total amounts still open would be reduced by EUR 63 million to EUR 40 million. In a number of other cases, Germany has challenged the Commission’s decisions before the Court of First Instance.

ESF

Out of the original 48 ESF mainstream Operational Programmes for 1994-1999, 22 are now fully closed. Four further ESF programmes were closed in 2007 and the outstanding commitment (RAL) for mainstream programmes is now EUR 39 million. However, ESF closures for 1994-1999 remain a concern, given the German objections to the Commission’s proposals in several cases, combined with the high number of “irregularities” (open cases) declared. For a further 15 Community Initiative Programmes, there are still outstanding commitments of EUR 21.3 million, because of contention of the calculation of the closure payments. A financial correction procedure needs to be launched for these programmes.

EAGGF

As regards the EAGGF, all German programmes for the period 1994-1999 are closed. Recoveries have been made for several Objective 1 and Leader II programmes, due to irregularities and OLAF cases amounting to EUR 1.388 million.

5. DENMARK

2000-2006 programming period

5.1. Objective 2

For the programming period 2000-2006, there was one Objective 2 Programme for Denmark. The funding for the programme initially totalled EUR 617 million, of which EUR 197 million from the Structural Funds (EUR 29 million is for phasing-out regions), EUR 217 million from the national public sector (an increase of EUR 9 million compared to the initial allocation) and EUR 194 million from the private sector (a decrease of EUR 30 million).

The programme aimed to create the conditions for self-sustained growth in the regions of Denmark facing structural problems. It combined actions under the European Regional Development Fund (ERDF) (71%) and the European Social Fund (ESF) (29%).

The eligible areas consisted of five geographical sub-regions: Bornholm (Objective 2), Lolland, Falster and Møn (Objective 2), Nordjylland (Objective 2 and phasing-out), parts of the counties of Viborg, Århus, Ringkøbing and Sønderjylland (Objective 2 and phasing-out) and Sydfyn and islands not covered by the above regions (Objective 2).

There were no meetings in the Programme (PMC) in 2007. There were two hearings organised in 2007, one regarding the annual report for 2006 and the other concerning a change in the Nordjylland Programme Complement.

Work in 2007 was dominated by two major tasks. One was the closure of the 2000-2006 programme, including a process to reallocate ERDF funding that had been granted to projects but was not used up as intended and therefore was available for the programme. The other task was implementation of the 2007-2013 programme.

ERDF

By the end of 2007, the Commission had paid out EUR 115 million, approximately 81% of the total allocation. In addition, around EUR 9.5 million was in the pipeline for payment, which was enough to meet the requirements under the “n+2” rule.

The actual execution of the ERDF part of the programme was as follows:

A total of 1309 ERDF projects received grants amounting to approximately EUR 129 million, including technical assistance, accounting for around 92% of the total ERDF allocation to the programme. Payments to projects amounted to approximately EUR 115 million, including technical assistance. Almost a third of all projects concerned support for investment in businesses. The measure that has absorbed the largest amount of money is infrastructure investment in the development of the regions.

ESF

By the end of 2007, the Commission had paid out EUR 39 million, approximately 72% of the total allocation. In addition, around EUR 3 million was in the pipeline for payment, although this was not enough to meet the requirements under the “n+2” rule. The ESF has supported 901 projects, under which almost 22 000 persons (47% of them women) have participated in competence development.

The ESF part of the programme has helped to create new education and training courses and bolstered cooperation between education institutions in the regions. Furthermore, the ESF projects have helped to make company training planning more systematic and to develop new courses and new ways of cooperation between education institutions and enterprises.

5.2. Objective 3

For the programming period 2000-2006, there is one Objective 3 programme for Denmark. Funding initially totalled EUR 757.9 million, with EUR 378.9 from the ESF. After allocation of the performance reserve, the Structural Fund contribution amounts to EUR 394.8 million, plus EUR 294.3 million from the national public sector (an increase of EUR 9.5 million compared to the initial allocation) and EUR 100.9 million from the private sector (an increase of EUR 6.7 million).

The programme supports active labour market measures, the labour market integration of vulnerable unemployed persons, the development of employee competencies and entrepreneurship.

There were no meetings of the Programme Monitoring Committee (PMC) in 2007. The annual report for 2006 was processed by written procedure and the annual meeting between the managing authority and the Commission was carried out through an exchange of letters.

By the end of 2007, the Commission had paid out EUR 277 million from the ESF, which was 70% of the total allocation. Moreover, a payment of approximately EUR 43 million was in the pipeline. However this was not enough to meet the requirements under the “n+2” rule. The ESF Objective 3 programme has supported 4109 projects with 137 000 participants, 50% of them women. Priorities absorbing the largest shares of funding are support for competence development and support for entrepreneurship.

5.3. Fisheries outside Objective 1

The total FIFG allocation, including the reserve, to the country-wide Danish fisheries programme is EUR 213.3 million. The main measures, in line with the reform of the Common Fisheries Policy, are scrapping of vessels, processing and marketing, collective investments and innovative measures.

Implementation has been rather slow and the “n+2” rule had to be applied in 2004 and 2005. The programme met its “n+2” target for 2006. In total, the programme has so far been reduced by EUR 24.1 million. Financial execution has reached 79%

(EUR 150.1 million out of EUR 189.1 million). A decommitment of EUR 6.5 million is anticipated for “n+2” in 2007.

5.4. Community Initiatives

5.4.1. Equal

The Danish EQUAL programme has supported 62 projects in total, with 9 800 participants (62% of them women). By the end of 2007, the Commission had paid out EUR 20 million, which was 66% of the total allocation. In addition, a payment of approximately EUR 4 million was in the pipeline, although this was not enough to meet the requirements under the “n+2” rule. The National Thematic Networks are all in place. The two most active networks are Integration of immigrants and refugees and Adaptability.

5.4.2. Leader

The total public allocation for the Danish Leader+ Programme 2000-2006 was increased in 2004 following indexation and now amounts to EUR 34.6 million, including an EU contribution of EUR 17.3 million. The programme was amended in 2006 when a transfer of funding between priorities was approved in order to ensure more efficient use of funds.

The programme has progressed well. Payments in 2007 amounted to EUR 3 million. A total of EUR 12.7 million had been paid out by the end of 2007, giving a rate of financial execution of 73.4% of the amount available for the programming period 2000–2006.

5.4.3. Urban

The Århus URBAN II programme is the only one in Denmark. The ERDF will contribute a total of EUR 5.38 million to this programme, for which the total eligible costs amount to EUR 12.1 million.

The managing authority for the programme is the Danish Agency for Trade and Industry, while the functional day-to-day management is delegated to the URBAN Secretariat in Århus. The monitoring committee met once during 2007.

The “n+2” rule was met in 2007.

Overall comments concerning the 2000-2006 period

The URBAN programme successfully contributes to all three dimensions of the Lisbon Strategy. On the economic side, it has helped to initiate and stimulate entrepreneurial culture, education and IT development. Along the social dimension, the programme contributes to employment efforts, equality, social protection through citizen involvement, empowerment and crime prevention. Its environmental contribution is exemplified by the project “Hasle Bakkelandskab”.

5.5. Closure of the period 1994-1999

All programmes were closed before the end of 2004.

6. GREECE

2007-2013 programming period

2007 was a challenging year for Greece due to both the start of the new programming period and the near end of the 2000–2006 period. Focal points of the year were the negotiations and approval of the NSRF and the thematic and regional OPs for the period 2007–2013. In terms of the 2000-2006 programmes, attention centred on the “n+2” situation.

The National Strategic Reference Framework for Greece for 2007–13 was submitted by the Greek authorities on 26 January 2007. Following a series of technical meetings, the decision on the NSRF⁸ was taken on 28 March 2007. In the new programming period, Greece contains eight Convergence, three phasing-out and two phasing-in regions. The new programming period reduces the number of regional operational programmes from thirteen to five, with all but one regional operational programme covering three regions.

Ten of the Greek ERDF Operational Programmes for 2007–2013 were submitted on 3 March 2007. There are five regional programmes and five thematic programmes (of which two also contain financing from the Cohesion Fund), including technical assistance. Following negotiations with the Greek authorities, all ten programmes were adopted in October and November 2007.

These ten Operational Programmes reflect the priorities of the Commission, the main target priority being the Lisbon Growth and Jobs priorities. 60.5% of funding has been earmarked for these activities, reflecting 60.2% of funds in the Convergence objectives and 68.3% in Regional Competitiveness and Employment regions. Aspirations to make use of JEREMIE and JESSICA have been included in a number of OPs, and the first funding agreement for JEREMIE was signed on 26 June 2007 with the EIF.

The ESF will co-finance three sectoral Operational Programmes and a National Contingency Reserve programme during the programming period 2007-2013. The three sectoral programmes are “Human Resources Development”, “Education and Lifelong Learning” and “Administrative Reform”. The Greek authorities submitted the drafts of the three sectoral programmes on 6 March 2007. Following negotiations with the Greek authorities, they were adopted in November 2007.⁹ The draft National Contingency Reserve OP was submitted to the Commission on 4 October 2007. The negotiation and adoption processes for this programme are still running, the aim being adoption by the end of July 2008 at the latest.

The three sectoral programmes respond to the Lisbon objectives and the European Employment Strategy. Overall, 96.52% (EUR 4 058.7 million out of EUR 4 205 million) of their resources are earmarked for actions under the main

⁸ C(2007) 1389.

⁹ AROP: C(2007)5528, 9/11/2007, HRD OP: C(2007)5534, 12/11/2007, Education and LLL: C(2007)5534, 12/11/2007.

headings of Annex II to Regulation (EC) No 1828/2006, which is the Implementing Regulation for the Funds during the 2007-2013 period. Furthermore, 96.56% of their resources allocated to convergence regions (EUR 3 937.34 million out of EUR 4 077.40 million) and 95.57% of their resources allocated to competitiveness and employment regions (EUR 121.97 million out of EUR 127.63 million) are earmarked for actions under the above headings.

Seven new ERDF major projects were adopted in 2007.

2000-2006 programming period

6.1. Objective 1

In the 2000–2006 period, the 13 regions of Greece were all under Objective 1.

The summer of 2007 was marked by wildfires in the regions of Attica in July, and on mainland Greece, in the Peloponnese and in Western Greece in August. The destruction was extensive and a national state of emergency was declared on 25 August. President Barroso and Commissioner Hübner visited the affected areas to survey the damage at the end of August. A technical meeting was held in Athens on 7 September to discuss the legal and financial aspects of an extension of the deadlines of the programmes and initiatives. In accordance with Articles 14(2) and 30(2) of Council Regulation (EC) No 1260/1999, due to significant changes in the socio-economic situation, on 19 December 2007, the Greek authorities wrote to the Director-General of DG Regional Policy to request an extension of the regional programmes in the affected areas and the national programmes directly affected by the wildfires. Following agreement with the Commission, the final date of eligibility will be extended for the regional programmes concerned and the requests for an extension for the national programmes affected will be examined on a case-by-case basis.

In the first half of 2007, DG REGIO representatives participated in a meeting in Athens on the application of Community public procurement legislation by Greece. There was a hearing on the application of the mathematical formula.

In 2007, EUR 2 978 670 418 of ERDF payments and EUR 761 738 759 of ESF payments for the 2000–2006 period were made. There were no decommitments to the Operational Programmes under the “n+2” rule, but the Community Initiative URBAN may face an “n+2” reduction of EUR 1 327 522 for 2005 commitments. Recoveries of EUR 150 383 811.81 were made in 2007, with EUR 150 000 000 being due to Commission Decision C(2005) 1731 of 17 May 2005, whereby EUR 518 million is to be recovered in stages between 2005 and 2008. There were no recoveries made in 2007 for the ESF.

EUR 1 911 874 622 of ERDF commitments and EUR 648 706 520 of ESF commitments were made for the 2007–13 period.

The annual reports for all ERDF Operational Programmes for 2006 were approved by the monitoring committees by written procedure and were received and approved by the Commission. All but one Operational Programme submitted a request for changed, which will be processed in the course of 2008. Only three OPs did not submit a revised Programme Complement and two OPs submitted 2 revised

Programme Complements in the course of the year. Overall, taking into account revisions submitted last year, 23 revisions of Programme Complements were approved. Only the Operational Programme “Roads” held a monitoring committee meeting.

EAGGF

The national mono-fund EAGGF Guidance Section programme for Greece was approved by the Commission on 6 April 2001. The Community contribution to this programme is EUR 1 233.4 million for a total cost of EUR 3 010.2 million. On 24 November 2004, the Commission approved the decision for the mid-term revision of this programme, which included an additional amount of EUR 250 000 from the programming and performance reserves. An additional modification of the programme was made on 7 December 2006, without however any impact on total EU co-funding.

The thirteen regional multi-fund programmes approved during the first half of 2001 and last amended on 7 December 2006 amount to a total EAGGF contribution of EUR 1 069 million. All programming complements were adopted by the monitoring committees by written procedure.

Due to the extensive fires that took place in Greece in the summer of 2007, which affected — among others— rural infrastructure, forestry and private investment in rural areas, Greece submitted a request to the Commission in autumn 2007 to extend the date of eligibility of the national mono-fund EAGGF Guidance programme and the four pluri-fund regional OPs of the affected areas of Attica, Mainland Greece, Peloponnese and Western Greece mentioned above to 31 December 2009.

In 2007, payments reached EUR 583.300 million. Cumulative payments from the EAGGF Guidance Section since the start of the 2000-2006 programming period (EUR 2 020.832 million) account for 73.85% of the planned budget.

Fisheries

Implementation of the FIFG Objective 1 “Fisheries” Operational Programme (OP) for Greece continued in 2007. Payments have been regularly submitted, albeit with a peak towards the end of the year. The programme in 2007 may face an “n+2” reduction of approximately EUR 9 718 million for 2005 FIFG commitments. Generally speaking, the pace of implementation, compared to previous years, was slower.

As in previous years, the monitoring committee met in 2007. This meeting was needed to discuss the relevant aspects of the Operational programme, to examine the problems and to propose appropriate measures.

The contract level at the end of 2007 was around 83% while the payments level was 69% of total public expenditure.

6.2. Community Initiatives

6.2.1. Equal

In 2007, payments of EUR 21 334 072 were made for EQUAL.

6.2.2. Leader

There is only one Leader+ programme for Greece, which was approved on 19 November 2001 with a total cost, following the 2004 indexation exercise, of EUR 368.700 million, EUR 186.130 million of which is the contribution from the EAGGF Guidance Section. The programme was last amended in November 2006. A request for extension of the date of eligibility was also submitted for Leader+ following the extensive fires that affected Greece during the summer of 2007. For 2007, payments amount to EUR 35.154 million. Cumulative EAGGF payments from the start of the 2000-2006 programming period (EUR 132.500 million) account for 71.19% of the total budget of the programme.

6.2.3. Urban

There are three URBAN II programmes in Greece. The programmes for Perama, Komotini and Iraklio were approved at the end of 2001. Recent modifications were made to the programmes of Perama (approved in November 2006) and Komotini (approved in October 2006), while Iraklio received approval in September 2006 for its modification to the programme complement. The total eligible cost for the three programmes is EUR 34.1 million. The total EDRF contribution is EUR 25.6 million. Perama, which did not benefit from indexation, receives EUR 9.25 million from the ERDF, Komotini EUR 8.15 million and Iraklio EUR 8.185 million. The total budget for Perama is EUR 12.34 million, for Komotini EUR 10.867 million and for Iraklio EUR 10.914 million.

Annual reports on implementation during 2006 were submitted in accordance with Council Regulation (EC) No 1260/1999.

For all three programmes, the managing authority is the national government (Ministry for Environment, Physical Planning and Public Works).

Two programmes, Perama and Iraklio, did not meet the “n+2” rule at the end of 2007.

Overall comments concerning the 2000-2006 period in Greece

The programmes have already contributed to substantially upgrading of the area receiving assistance and the quality of life of its inhabitants, who are aware of the programme and its contribution to the upgrading of the city, in particular in Komotini (East Thrace) and Iraklio (Crete). The learning process of the URBAN II integrated approach is seen as positive in Greece and could contribute in the future to significant changes in national urban policy-making.

6.3. Closure of the period 1994-1999

One programme from 1994-1999 was still to be closed, the OP “Access and Road Axes”. A hearing procedure for this OP took place on 22 March 2007. The Commission informed the Greek authorities of its conclusions by letter dated 14 May 2007 and received supplementary information and clarifications by letter of 29 June 2007. On 7 December 2007, the Commission sent the Greek authorities a letter proposing a correction of approximately EUR 18 million and a final payment of EUR 31 million.

7. SPAIN

2007-2013 programming period

The National Strategic Reference Framework (NSRF), the 23 ERDF and Cohesion Fund Operational Programmes (OPs) and the 22 ESF Operational Programmes were approved in 2007.

Commission Decision C(2007) 1990 on the NSRF was adopted on 7 May 2007. It provides for ERDF, ESF and Cohesion Fund contributions of EUR 23 057 192 151, EUR 8 057 328 822 and EUR 3 543 213 008 respectively, broken down over the following priority axis:

- (1) knowledge economy development: research, development and innovation; information society; communication technologies;
- (2) entrepreneurial development and innovation;
- (3) environment; natural environment; water resources management; risks prevention;
- (4) transport and energy;
- (5) local and urban sustainable development;
- (6) social infrastructure;
- (7) fostering entrepreneurship and employees', enterprises' and entrepreneurs' adaptability;
- (8) fostering employability, social inclusion and equal opportunities between men and women;
- (9) increasing and improving human capital;
- (10) transnational and interregional cooperation.

Four of the ERDF and CF OPs cover more than one region (RTDI for and by enterprises, knowledge-based economy, Cohesion Fund-ERDF and Technical Assistance) while the other 19 cover single regions or cities. As for ESF, there are 3 multi-objective OPs (Adaptability and Employment, Fight Against Discrimination and Technical Assistance and Transnational Cooperation) and 19 regional OPs. Distribution by objective is as follows: four full Convergence regions (Andalucía, Castilla-La Mancha, Extremadura and Galicia), four phasing-out regions and cities (Asturias, Murcia, Ceuta and Melilla), three phasing-in regions (Canarias, Castilla y León and Valencian Community) and eight full Regional Competitiveness and Employment regions (Aragón, Baleares, Cantabria, Cataluña, Madrid, Navarra, País Vasco and la Rioja). The main achievements of the negotiating process are as follows:

- Doubling of resources earmarked for RTDI compared to the current period (over EUR 6-8 billion for the period 2007-2013 compared to less than EUR 4 billion in the 2000-2006 period). This is despite an over 40% loss of funds compared to the period 2000-2006. Some actions are flagged up as EU pilot initiatives, such as the new “Technology Fund” with EUR 2 billion.
- A new urban policy approach, providing follow-up of the current URBAN Community Initiative, has been adopted. This includes a nation-wide action for integrated urban development, with project selection based on a competitive call for proposal.
- A more strategic planning role for the national authorities, over and above sound financial and administrative management, in the form of the establishment of six “thematic” networks in key intervention areas (Innovation, R&D, Urban Policy, Equal opportunities, Environment and Social Inclusion) for the exchange of good practice among national and regional administrations and greater institutional collaboration.
- A further step towards a regional approach, placing greater emphasis on partnerships and public-private collaboration, covering in particular innovative actions for financial engineering (Jeremie and Jessica).
- Gender equality has been mainstreamed, and the programmes pay increased attention to vulnerable groups: insertion of immigrants was not a key priority in the 2000-2006 programmes, whereas in the new period EUR 218 million is allocated to specific actions to bolster the participation of migrants in the labour market. There has been a shift towards a more holistic approach, tailor-made measures replacing separate training schemes by in the form of pathways to employment.
- There has been a shift in education from palliative action for early school leavers to preventive action to reduce early school leaving.
- Lifelong learning is clearly a key theme for the ESF in Spain, with an allocation of 17% of ESF aid. The National Reform Programme (NRP) and the Commission paper entitled “Strategic Objectives and Key issues for Spain” identified the low cover rate of continuous training as a challenge that had to be addressed. To this end, more attention is paid to reaching SME workers.

There is a strong link to the NRP, with Lisbon earmarking targets well above the targets established in Regulation (EC) No 1083/2006 for the combined operation of the 23 ERDF and 22 ESF Operational Programmes.

2000-2006 programming period

7.1. Objective 1

The average financial execution for Objective 1 as a whole is quite positive. The current execution rate for the ERDF, compared to the amount programmed for 2000-2006, is 82% and the amount executed has reached EUR 20 842 million out of the EUR 25 359 million committed for this Objective in Spain for the period. The current execution rate of the ESF is 89.36%, with an amount of

EUR 8 127 million (including advance payments) being reached out of the EUR 9 095 million committed by the ESF for this objective in Spain for the period 2000-2006 (EUR 7 508 million, excluding advance payments).

Looking at the level of performance by priority axes, “Infrastructures for human resources development”, “Transport and energy”, “Local and urban development” and “Competitiveness” have an execution rate higher than the average for all programmes, while “R&D and Information society”, “Environment and natural resources” and “Rural development” priority axes are slightly below the average execution rate.

As far as major projects are concerned, a total of 100 decisions confirming the Community participation rate had been approved by the end of 2006. No new major projects were approved during 2007, although eight aid requests for major projects were being examined by the Commission in 2007.

Spain faced the possibility of losing funds for the first time because of the automatic decommitment of funds not duly covered by certified expenses before 31 December 2007. The operational programmes concerned are the Research, Development and Innovation OP (EUR 7.3 million) and the URBAN Programme for Orense (EUR 111 000). The loss is limited as a result of a series of measures proactively taken in those programmes where a risk situation had been observed following the mid-term reviews carried out and subsequent measures taken by the managing authority to minimise the risks of losses due to application of the “n+2” rule. Two modifications were made to operational programmes and eleven to programme complements during 2007.

However, as a vast operation of controls have been launched for several intermediate bodies, following the findings of the Commission audits, significant amounts were decertified from several intermediate bodies (IBs), and a “hold” practiced by the certifying authority, which avoided certifying expenses from IBs that did not comply 100% with the regulatory requirements. Generally, this is also the reason why the overall target of making payments of EUR 3 200 million was not met and was limited to EUR 2 199 million (including Objective 1, Objective 2 and URBAN for the period 2000-2006). As for the ESF, there was automatic decommitment under the “n+2” rule concerning the 2005 annual commitment of the OP I+D, for a total amount of EUR 15 121 832.29.

As in previous years, a total of 18 monitoring committee meetings were organised in 2007, as well as meetings of the CSF Committee. These meetings were essential to discuss the relevant aspects of each programme, to examine potential problems and to take appropriate measures, including financial transfers within the same priority axes.

A total of 18 annual reports (with ERDF participation) were submitted by the managing authority in 2007. In many cases, the Commission made comments designed to improve the quality of the initial versions. After analysing their contents, the Commission accepted them all.

In 2007, there were no annual meetings concerning 2006. Due to the intense preparation of the 2007-2013 programming period, only a written procedure was launched in early 2008.

Looking at the global impact of the Community Support Framework since 2000, and at the results of recent evaluations, its contribution to the real growth is estimated at 0.28 percentage points per year, which is equivalent to 2.03% for the whole 2000-2006 period. In terms of employment, the CSF is estimated to have helped create or maintain about 255 000 jobs over that same period. The ERDF, which covers 60.84% of the CSF, can thus be said to have contributed 62.14% of the increase in real growth and 58.04% of the impact on employment.

EAGGF

Monitoring data regarding the EAGGF Guidance section show that at the end of 2007 Spain had reached an execution rate of 92.8%. The regions with the best programmes in terms of execution performance were Castilla Leon, Cantabria, Extremadura and Murcia.

Fisheries inside Objective 1 regions

As for the FIFG in Objective 1 regions, a modification of the OP was adopted by the Commission on 14.03.2007. This modification was meant to adapt programmed funding rates to actual practice in anticipation of the application of recently adopted closure guidelines.

Financial execution reached almost 84% by the end of the year, with no “n+2” automatic decommitment, since payments during 2007 exhausted the funds committed before the end of 2005.

The OP and SPD monitoring committees met only once, on 20 June 2006 in Madrid, to approve their respective annual execution reports, which were then forwarded in good time to the Commission.

Implementation problems of specific relevance to the FIFG in Spain were discussed at a number of technical meetings and at the annual meeting in Brussels on 28 January 2008, while issues of general relevance to OPs for Objective 1 regions were dealt with during the annual encounter for the Spanish CSF.

7.2. Objective 2

The average financial execution for Objective 2 is very positive. The current execution rate, compared to the amount programmed for 2000-2006, is 78.8% and the amount executed has already reached EUR 2 013 million, out of the EUR 2 554 million committed for this Objective in Spain for the period. The current execution rate for the ESF is 86.45% and the amount executed is EUR 268 million (including advance payments), out of a total amount of EUR 310 million committed for the ESF in Spain under this objective for the period 2000-2006 (EUR 245 million, excluding advance payments).

No automatic decommitment for ERDF had been applied under the “n+2” rule as at 31 December 2007.

As in previous years, the monitoring committees of the seven SPDs met once in 2007. These meetings were concluded by written procedures in several cases, in particular for the modifications of the SPDs and programming complements. Annual reports for the seven interventions were submitted on time and were examined by the Commission and the monitoring committees. The quality of the initial Objective 1 reports was acceptable, but the Commission made comments designed to complete the content in the final versions. Two modifications were made to operational programmes and eight to programme complements during 2007.

7.3. Objective 3

The CSF for Objective 3 is implemented through twelve operational programmes (seven regional and five thematic, multiregional programmes). The total Community contribution for these twelve programmes is EUR 2 316 million for the period 2000-2006. Of this, EUR 919 million is for the regional programmes and EUR 1 397 million for the thematic and multiregional programmes. These programmes are designed to support the development and improvement of the systems of vocational training, the insertion and reinsertion of unemployed people in the labour market, the promotion of the participation of women in the labour market, the fight against sexual discrimination, the insertion in the labour market of disadvantaged people, and the promotion of entrepreneurship and lifelong learning for employed people. The global balance of implementation in 2007 was quite positive. Both physical and financial execution may be qualified as very positive. The financial execution rate reached 92.82% for the twelve programmes, which amounts to EUR 2 142 685 515.19, out of a total amount programmed for 2000-2006 for this objective in Spain of 2 308 473 268.4. The current execution rate is 91.11% for the regional and 93.95% for the multiregional programmes

In 2007, there were no automatic decommitments under the “n+2” rule from the 2005 annual commitments for Objective 3 programmes. As in previous years, the monitoring committees for each of the twelve programmes met in 2007, in particular to examine the annual execution reports. After being analysed by the different monitoring committees, the reports were presented to the Commission in good time, and accepted. At the end of 2007 discussions on the annual meetings for the multiregional and thematic programmes were conducted by written procedure. There was no monitoring committee meeting for the CSG in 2007 due to the preparation and adoption of the ESF 2007-2013 programming documents.

7.4. Fisheries outside Objective 1

For regions outside Objective 1, financial execution had reached almost 80% by the end of 2007. There was no automatic decommitment pursuant to the “n+2” rule as the last payment request, which had been posted just before the end of 2007, exhausted all the funds committed before the end of 2005.

A modification of the Single Planning Document (SPD) for regions outside Objective 1 was adopted by the Commission on 14.03.2007. This modification was meant to adapt programmed funding rates to actual practice in anticipation of application of the recently adopted closure guidelines.

7.5. Community Initiatives

7.5.1. Equal

Actions under the Spanish EQUAL programme proceeded without any major difficulties in 2007. At the end of 2007, the rate of financial execution of the ESF part of the programme was approximately 82% of the total. The financial plan of the programme was amended by Commission Decision C(2007)6843 of 22 December 2007, due to the automatic decommitment for 2004. In 2007, automatic decommitment was avoided. Mainstreaming and thematic activities continued in 2007, projects for Action 3 were selected and closing meetings of the Thematic Groups were held. Evaluation of mainstreaming and innovation is ongoing.

7.5.2. Leader

By the end of 2002, the Commission had approved eighteen Leader+ programmes (one horizontal programme and seventeen regional programmes), with a planned EU contribution of EUR 502.06 million for 2000-2006 (after the indexation exercise).

Seventeen programmes are currently implemented via global grants and one (Basque Country) in the form of a common Operational Programme with a programme complement. One hundred and forty-five Local Action Groups (LAGs) have been created. The total area covered by the LAGs is 251 186 km², covering 14% of the entire national population.

From the official monitoring data available at end 2007, the rate of interim payment is 72.5% of forecast expenditure.

Eighteen annual reports were submitted in 2007 and examined by the monitoring committees and the Commission. The quality of the reports was considered acceptable.

During 2007 the Commission amended three programmes in order to decommit that part of the funds committed in 2004 but not settled at the end of 2006 (“n+2” rule). The main reason behind this decommitment was the late start of the programmes. Eight financial plans were adjusted in the course of 2007 (changes within the same axis to improve efficiency).

7.5.3. Urban

There are ten Community Initiative Programmes in Spain, with an EU contribution of EUR 114.1 million, which accounts for 15% of the total URBAN II budget for the period 2000-2006.

The Spanish URBAN II Community Initiative programmes are being implemented steadily, in accordance with the original programming. All ten programmes submitted admissible annual implementation reports for 2006 in June 2006. There is only one programme (Orense) that did not meet the level of payments required to avoid application of the “n+2” rule at the end 2007.

The managing authority for the programmes is the Ministry of Finance. Management and implementation were delegated to the local authorities.

Overall comments for the 2000-2006 period

Focusing on a single area, combined with the strong local partnership and the participation of several agencies in the decision-making procedure, has ensured that URBAN projects run smoothly and are sustainable.

Project monitoring is being carried out effectively.

7.6. Closure of the 1994-1999 programming period

At the end of 2007, the following three ERDF programmes still remain open (out of a total of 106), with outstanding commitments (RAL) of EUR 4 395 423.58:

- DOCUP 5b País Vasco (RAL: EUR 114 120.04): pending validation of Commission Decision by Legal affairs unit (REGIO.B.3),
- PO Medio Ambiente (RAL: EUR 2 199 785), and
- PIC REGIS España-Canarias (RAL: EUR 1 967 440): awaiting a ruling by the Spanish courts.

As for the ESF, remaining outstanding commitments of EUR 5.1 million were awaiting a ruling by the Spanish courts at the end of 2007. This concerns the three programmes of INEM Objective 3, Catalonia Objective 2 and Catalonia Objective 3, which were suspended by decision under Article 24 of Regulation 4253/88 (Commission Decision C(2001) 2146 of 22.10.2001).

As regards the closure of 1994-1999 programmes assisted by the EAGGF-Guidance Fund, the last eleven open programmes were finally closed in 2007 and the final decommitment will be made after adoption of the Decision on financial corrections. However, there are still ongoing audit procedures, which might also result in financial corrections for several programmes.

8. ESTONIA

2007-2013 programming period

A first draft National Strategic Reference Framework (NSRF) was submitted by the Estonian authorities in March 2006. The informal negotiations for Estonia's NSRF were concluded with the submission of the official NSRF by the Estonian authorities on 1 March 2007. In 2007 the Commission took its decision on the NSRF and adopted the OPs.

The NSRF is closely related to the Estonian National Reform Programme; it covers three OPs, two of which are ERDF/CF and one ESF. The managing authority for all OPs is located within the Ministry of Finance of Estonia. The total EU budget is EUR 3 403 million. The NSRF core targets refer to achieving fast as well as socially and regionally balanced sustainable economic development, which in turn should help to achieve real convergence.

The main challenges for 2008 include the development of selection criteria for the operations supported, the selection of major projects and the actual start of implementation of the 2007-2013 programming period in order to meet the n+3 requirement in 2011. To date, slow progress has been noted in this regard.

2000-2006 programming period

Estonia, an Objective 1 NUTS II country, has been able to finance eligible operations from the Structural Funds since 1 January 2004, with ERDF funding of EUR 226 million and ESF funding of EUR 69 million, out of the total of EUR 371 million for the Objective 1 Structural Funds. The SPD identifies the core problems of Estonia (low GDP, unemployment, disparities) and sets out the overall objective of "fast and regionally balanced sustainable economic development", mainly by shifting into higher value-added production. The SPD strategy is based on four priorities (excluding technical assistance): (i) Human Resource Development, (ii) Enterprise Competitiveness, (iii) Agriculture, Fisheries and Rural Development and (iv) Infrastructure and Local Development. The SPD (Structural Funds) is coordinated by the Foreign Financing Department of the Ministry of Finance (i.e. managing authority). The paying authority and the audit body are the Departments of National Fund and Financial Control respectively, in the same ministry. There is one monitoring committee and each priority is monitored by the "Priority Working Group".

8.1. Objective 1

Achievement of Objectives

The Estonian 2004-2006 Objective 1 programme has partly contributed to the high growth rate in Estonia. Unemployment decreased from 10.2% in 2004 to 4.9% in 2007 (national data). Cohesion Policy has facilitated the transfer towards a more knowledge-intensive economy and provided the necessary infrastructure for the expansion of economy.

3 200 new jobs were been created, 8 500 unemployed persons received training, 12 700 workers received on-the-job training, and 400 new enterprises were created with the support of the funds. In addition, 5 800 modern student places were created in vocational training centres, and 91 000 persons benefited from improved local government services in their neighbourhood (data as at the end of 2006).

In addition, the programmes have had an effect on softer issues, such as the introduction of an evaluation culture, the raised level of audit quality (evidenced also through the signature of the contract of confidence for ERDF between the Commission and the Estonian authorities), increased management and project planning capacity, and increased levels of administrative capacity at sub-national level.

The commitment levels (in terms of approved applications in the Estonian monitoring system) had reached 93% at national level in March 2008. The payment levels to beneficiaries are satisfactory for most measures and covered almost 80% of the programme. In 2007, the Commission paid EUR 73.5 million to Estonia from the ERDF. It should be noted that Estonia has no “n+2” issues and the requisite levels of funding utilisation were reached by the end of 2007.

Monitoring committee meetings

Two monitoring committee meetings were held in 2007. The Committees include participants from all state institutions involved and also from civil society.

Annual meeting

The 2007 annual meeting between the Commission and the Estonian managing authority was organised in January 2008, due to the heavy workload preparing for the new period at the end of the previous year. The annual meeting covered the progress of programme implementation, preparation of the 2007-2013 programming period and management and audit issues.

The quality of implementation and the administrative capacity of the Estonian managing authority and implementing bodies was monitored regularly, while also being the subject of several technical discussions (in the MC or in connection with preparing for the new period) during 2007, along with issues such as the capacity of local authorities (financial, technical and administrative) to prepare for larger projects, mobility of staff, rising construction prices, rising prices in the field of training and better forecasting of pricing in technical design. Three main issues were identified as important for monitoring in the new period: staffing and mobility, procurement rules and projects pipeline. Another issue is the technical capacity of final beneficiaries, e.g. of local authorities.

8.2. Community Initiatives

8.2.1. Equal

The Estonian EQUAL programme proceeded without any major difficulties in 2007. There are thirteen Development Partnerships funded under the EQUAL Community Initiative. At the end of 2007, the rate of financial execution of the ESF part of the

programme was 67%. Automatic decommitment under the “n+2” rule was avoided for 2007. No amendments were made to the programme.

8.2.2. *Leader*

Estonia has implemented the Leader approach through the measure “Local initiative - based development projects - LEADER”, as part of the Estonian National Development Plan for 2004–2006. The measure was implemented through two options: acquisition of skills (whereby local development strategies were prepared) and integrated rural area development strategy (the strategies were implemented).

Local Action Groups applied for support under the Leader measure at the end of 2006. By the beginning of 2007, 24 LAGs had been chosen. Twenty-one groups received support to prepare local development strategies and three groups started to implement their existing strategies. Total support was EEK 28.8 million (EUR 1.84 million).

A Leader Information Centre was established as a support structure for the groups. In 2007, Local Action Groups covered 181 out of 194 local government units in rural areas, i.e. approximately 93% of the total rural area. In addition, around 1000 villages elected non-official village representatives (out of a total of over 4000 villages). About 700 local societies were involved in village development.

9. FRANCE

2007-2013 programming period

The 2007-2013 Convergence Objective in France covers the four French outermost regions. All the other 22 metropolitan regions are now covered by the Competitiveness and Employment Objective. For each Convergence and Competitiveness Region, a Regional programme was adopted during 2007. In addition, four multiregional programmes, two for mountain areas (Alps and Massif Central) and two for river basins (Loire and Rhone) were also adopted. A national programme provides technical assistance and IT management for all programmes. The total number of French programmes is 31.

Negotiations for the 2007-2013 period programmes focused on the concentration of financial resources in a reduced number of priorities of the Lisbon strategy. At the end of negotiations, the earmarking rate for France was 78,6% for competitiveness and 62% for convergence regions.

Research and Innovation is the main priority in almost all Regional Competitiveness and Employment programmes. The vast majority of French regions committed themselves to improving their regional strategy for innovation by way of an ambitious exercise to be carried out in conjunction with the Commission, the French authorities and international experts, which should be finalised two years after programme adoption. The programmes also seek to improve the employability of workers through the promotion of lifelong learning.

Environment and risk prevention and information technologies follow in the priorities chosen by the regions. Some regions also proposed measures on urban policy, integrated in global strategies. Territorial projects are still found in some regions, in Brittany, for instance, with a major project of a TGV connecting Rennes and Quimper to Brest. A certain weakness in the indicators was also noted in the proposals for programmes, but significant improvements were made during negotiations.

A national seminar focusing on Innovation and the anticipation of economic and social changes was co-organised by the Commission and French authorities in Bordeaux, and a large audience (over 750 participants) highlighted the importance of this issue in the 2007-2013 programming period.

2000-2006 programming period

9.1. Objective 1 and 2

The 2000-2006 Objective 1 in France covers the four French outermost regions¹⁰ and, under transitory support, Corsica and three districts of the North/Pas de Calais region.

¹⁰ Guadeloupe, Guyane, Martinique, Réunion.

Objective 2 concerns 21 of the 22 regions from metropolitan France. Four national programmes concerning technical assistance and IT management add to the 27 regional programmes.

2007 was marked by several modification decisions (decommitments, financial modifications) to prepare for closure. All regions worked on the preparation and negotiation of the new period programmes.

Average programming at the end of December 2007 (all Structural Funds together) increased up to 100.0% for Objective 1 regions and up to 98.4% for Objective 2 regions.

The executed payments rate under Objective 1 was 82.38% from the ERDF and 86.43% from the EAGGF (Guidance). 87.61% was paid from the ERDF under Objective 2.

Decommitments of the 2005 commitment (available up to 31 December 2007) were limited for the ERDF to the national programme for IT management Objective 2 and technical assistance Objective 2. No decommitments were registered for the EAGGF Guidance Section.

31 annual reports were received on implementation in 2006 of the Objectives 1 and 2. An analysis of the reports confirms the overall improvement in content, although significant differences remain between regions. Accounting and financial information are complete but the qualitative analyses of the programmes should be improved, in particular as regards quantified indicators.

The high error rates observed following the national French audit results puts the programmes at risk of possible suspension.

9.2. Objective 3

The French Objective 3 programme is a national programme but implementation is highly devolved to all the regions. The total appropriation for Objective 3 is EUR 4 918 million. The average programming as at 15 December 2007 was 94%. At the end of 2007, 75.52% of this budget (EUR 3 714 042 039) had been paid out by the Commission. The 2007 annual meeting between the Commission and the French managing authorities took place on 7 December 2007.

The year 2007 was important in terms of final reprogramming, spurred mainly by the need to optimise the allocation of funds in order to eliminate any “n+2” risks at the end of the period, and to allow optimal reprogramming of the agreed financial correction (EUR 110 million). In financial terms, at the end of 2007, the average programming was 85% of the total and the rate of execution of the ESF part of the programme was 61.37%. The programme was unable to avoid a decommitment of EUR 12.951 576 of the 2005 commitment.

9.3. Fisheries outside Objective 1

In France, the FIFG continues to be implemented in line with the objectives of the reformed Common Fisheries Policy and the need to improve this sector. Execution is running well, both in terms of implementation and in terms of projects committed.

Thus, all French maritime regions are engaged in implementation of the fisheries structural policy. The sum of the declarations of expenditure at the end of 2007 came to a total of EUR 861 million, of which EUR 205 million from the FIGG, i.e. 84% of the FIGG reserve. Altogether, more than EUR 1 000 million has been invested or committed in 9 183 projects with support from the FIGG, 30% of the projects being in Brittany.

France therefore exceeded 84% of its allocation in terms of reimbursement (EUR 205 million from the FIGG), with a globally very good execution rate and shorter delivery delays.

At the end of 2007, the number of projects with assistance from the FIGG was more than twice the number of projects for the whole of the previous programming period (1994-1999).

9.4. Community Initiatives

9.4.1. Urban

The URBAN II programme in France consists of nine programmes being carried out in the following cities/group of cities: Bastia, Bordeaux/Cenon/Floirac, Clichy-sous-Bois/Montfermeuil, Grenoble, Grigny/Viry-Chatillon, Le Havre, Le Mantois, Les Mureaux/Val-de-Seine, Strasbourg. Four of the nine programmes (Clichy, Le Mantois, Grigny and Val-de-Seine) are located in the Ile de France region, with an ERDF contribution of EUR 51 million. In total, nine programmes received an amount of EUR 284.6 million, of which EUR 102 million from the ERDF.

The annual reports for 2006 were submitted to the Commission on all the nine programmes and all of them met their “n+2” objectives for 2007.

In the majority of cases, the mayor or the president of the inter-commune (four programmes) cooperation structure fulfils the role of the managing authority, while the regional prefect plays this role for three programmes. The latter two cases concern both a public corporation and a public interest grouping chaired either by the mayor or by the prefect. In each case, the paying authority is the Caisse des Depots et Consignes.

Overall comments concerning the 2000-2006 period in France

In general, the French programmes made good use the added value of URBAN II programmes. They support the participation of citizens, of local associations and inter-commune cooperation. In addition, in 2002 the nine French URBAN II programmes, supported by the partners representing the state (the Interministerial Delegation to the City — DIV, the Interministerial Delegation to Planning and to the Competitiveness of the Territory — DIACT, the Deposit Bank — CDC) created ‘URBAN Network France’, whose aim is to pool and share good practices, knowledge and experiences, in an effort to optimise the management of URBAN II programmes in France.

9.4.2. *Equal*

In financial terms, average programming was 85% of the total at the end of 2007. However, the programme was unable to avoid a decommitment of EUR 12 951 576 of the 2005 commitment.

The French managing authorities organised a forum on combating discrimination based on origin, bringing together 270 participants from 18 Member States. The platform highlighted the need for professional stakeholders, the importance of intermediaries, the promotion of best practice, the recognition of immigrants' specific pathways towards the labour market and international exchanges.

9.4.3. *Leader*

The French National Programme in the Community Initiative Leader+ was adopted on 7 August 2001 (C(2001)2094) in the form of a global grant. Accordingly, the National Centre for the Setting-up of Farming Structures (CNASEA) was designated as the management authority. The total Community contribution, initially amounting to EUR 272 834 444, was set at EUR 263 611 385 by Commission Decision C(2006)2039 of 16 May 2006. By Commission Decision C(2007)3542 of 17 July 2007, the EAGGF (Guidance) contribution to this programme was reduced by EUR 3 702 304. As at 31 December 2007, the Community contribution was EUR 259 909 081.

The programme is implemented by one hundred and forty Local Action Groups (LAGs), which were selected in 2002. Their action plans were drawn up in 2003, after signature of bilateral agreements with CNASEA.

Payments reached EUR 47 124 756 in 2007. The level of expenditure incurred meant there was no "n+2" decommitment.

Financial implementation since 2001 has reached a total of EUR 184.5 million, which amounts to 71% of the total Community contribution to the programme.

9.5. **Closure of the 1994-1999 programming period**

Balance requests continued to be processed during 2007. The outstanding commitment (RAL) of the ERDF was reduced to nearly zero during 2007 (compared to EUR 693.9 million before examination of the final reports and balance requests on 1 January 2003).

For the EAGGF (Guidance), the RAL was reduced by EUR 3.41 million during the year and was down to zero on 31 December 2007.

The last OP to be closed, Ile de la Reunion, is waiting for further information from the French authorities and should also be closed shortly.

10. ITALY

2000-2006 programming period

10.1. Objective 1

Budgetary execution

According to the official monitoring data as at 31 December 2007 provided by the Italian authorities, the average commitment rate on total eligible expenditure (at CSF level) is 111% and the average payment rate on total eligible expenditure is 79.8% (all Structural Funds together).

The ERDF commitment rate is 114.5% and the payment rate is 80.0%. As regards the EAGGF Guidance section, the monitoring data provided by the Italian Ministry of Economy and Finance show a commitment rate of 100.9% and a payment rate of 79%.

ERDF programmes performing the best in financial terms are the national programmes for “Education” (96.1%) and “Local development” (payment rate: 91.9%). At regional level, the best performing programmes in financial terms are “Molise” (87.5%) and “Basilicata” (82.9%). The programmes performing the poorest in financial terms are the regional programmes for “Sicilia” (73.8%), “Campania” (74.4%), “Puglia” (74.5%) and the national programme for “Research” (75.6%). The best performing EAGGF programmes, according to the end-of-year data for 2007, are the three regional programmes of Molise (85.4%), Calabria (79.8%) and Basilicata (78.5%).

As far as the FIFG is concerned, financial implementation of the national fisheries programme (PON Pesca) as at 31 December 2007 had reached 93% in terms of commitments on total eligible expenditure and 68% in terms of payments on total eligible expenditure. At regional level, the best performing programmes in terms of FIFG are “Campania” (87.2%), “Calabria” (76.2%) and “Molise” (75.4%). The programmes performing the poorest in financial terms are the regional programmes for “Puglia” (65.6%), “Sicilia” (65.1%) and “Sardegna” (49.2%).

ESF shows a higher payment rate (80.7%), with a lower commitment rate (104.4%). On average, national programmes perform significantly better than regional ones (at the end of 2007, payment rate of 89.6% against 77.5%), the best performing programme being the OP “Research” (payment rate of 91.8%).

With respect to the “n+2” rule at the end of 2007 for ERDF, a decommitment is envisaged for the “Sardegna” programme of around EUR 11.3 million and also for two URBAN II programmes (Misterbianco and Taranto) for EUR 0.06 million and EUR 2.4 million respectively. The ERDF decommitment proposal for Sardegna is due to differences in interpretation of application of the “n+2” rule by the Italian authorities. No decommitment is envisaged under the “n+2” rule at the end of 2007 for ESF OPs.

As regards the “n+2” rule at the end 2007 for the FIG, a decommitment of around EUR 10.4 million is envisaged for the national OP for fisheries (PON Pesca), together with approximately EUR 2.4 million for “Puglia”, EUR 4.1 million for “Sardegna”, EUR 0.3 million for “Molise” and EUR 0.7 million for “Calabria”. The FIG decommitment for Puglia and Sardegna is due to insufficient expenditure by the end of the year, while, for PON Pesca, Molise and Calabria, the decommitment is due to the late transmission of the respective payment requests, i.e. beyond the 31 December deadline.

Overall results of programme implementation throughout the programming period

Although information on results and impacts is still scarce, outputs are becoming closer to definitive values and can provide evidence of the effort and effects of the use of Structural Funds. In particular:

- In the environmental services sector, progress has been made in separate waste collection: 9 000 000 people more have access to it thanks to Structural Funds assistance and 63 new waste treatment plants have been put into operation.
- Moreover, wastewater treatment capacity has increased by about 7 200 000 inhabitants (equivalent) due to new or upgraded plants co-financed by the ERDF, in parallel with the upgrade of sewage networks (890 km of new pipelines).
- The water cycle has also been boosted through action on primary water (3097 km of new aqueducts).
- A huge effort in soil protection has been made: the hydro-geological risk has been reduced over an area of 876 526 km² and 438 hectares have been reclaimed by decontamination.
- Environmental actions were complemented by projects on sustainable energy: more than 5839 plants for Renewable Energy Sources received contributions, mostly in the solar field (5821); in addition, 1028 operations concerning energy efficiency were funded.
- R&D and competitiveness: the productive sector has largely benefited from ERDF assistance: 19 983 enterprises received support (including 202 start-ups). In addition, R&D projects involving 931 enterprises were funded, along with 769 cooperation projects between research centres and enterprises. Some 82 research centres were also increased in capacity.
- Transport infrastructure was further developed, priority being given to sustainable modes of transport, with the construction of 2401 km of railways, 692 km of roads, and 4 km of new docks.
- The Information Society was extended: 588 municipalities were connected to broadband, 425 e-government tools for enterprises were put into practice and 7255 enterprises took advantage of new IT services/tools.
- Some improvements were made in public employment services.

As regards the EAGGF Guidance section, substantial progress has been made in investments in agricultural holdings to improve the processing and marketing of agricultural products.

Another significant result concerns the progress made in Objective 1 regions in the field of administrative capacity and governance, which is a pre-condition for effective results in other sectors.

Programme amendments, subjects covered at the annual meeting and the meetings of the monitoring committees

Programme modifications

8 proposals for programme amendments have been submitted by Italy for Objective 1 programmes (“Puglia”, “Local development”, “Molise” (2), “Campania”, “Calabria” and “Sardegna”(2)); 6 decisions have been adopted to date. The main reason for amending programmes was sound management and financial implementation at the end of the programming period (amendment of allocations by priority axes). The allocation between funds and programmes was left unchanged. A new amending decision was also adopted for PON Pesca following the “n+2” decommitment at the end of 2006.

Annual meeting

In 2007, a single Annual Meeting was held in L’Aquila for Objectives 1 and 2; this was regarded as being good practice and will be continued. The agenda included:

- 2006 annual reports;
- financial execution and application of the “n+2” rule;
- resources from projects financed by national sources;
- setting-up of monitoring committees and transitional phase 2000-2006/2007-2013;
- preparation of 2007-2013 programming period.

Meetings of monitoring committees

Monitoring committee meetings for all programmes, excluding Sardegna, took place once or twice during the year: while they all examined the usual issues linked to implementation, the main issue was the amendment of programmes (financial reprogramming) for sound management reasons (complete absorption of funds at the end of programming period). More emphasis was placed on the results of Structural Funds assistance.

10.2. Objective 2

Budgetary execution

According to the official monitoring data as at 31 December 2007 provided by the Italian Authorities, the average commitment rate on total eligible expenditure is 111.8% and the average payment rate on total eligible expenditure is 88.1%.

The SPDs performing the best in financial terms are “Valle d’Aosta” (133.9%), “Veneto” (106.1%) and “Emilia Romagna” (105.5%), which are virtually closed. The SPDs performing the poorest in financial terms are “Abruzzo” (75.1%) and “Umbria” (79.5%).

With respect to the “n+2” rule at the end of 2007, no decommitment is proposed, confirming the positive financial absorption of 2005 and 2006.

Overall results of programme implementation throughout the programming period

Although information on results and impact is still scarce, outputs are becoming closer to definitive values and can provide evidence of the effort and effects of the use of the structural funds. In particular:

- In the environmental services sector, progress has been made in separate waste collection: 372 000 people more have access to it.
- Moreover, wastewater treatment capacity has increased by about 260 000 inhabitants (equivalent) due to new or upgraded plants co-financed by the ERDF, in parallel with the upgrade of sewage networks (620 km of new pipelines). In total, 131 projects regarding waste and sewage treatment plants have been implemented.
- Energy: 1 043 operations concerning renewable sources of energy have been carried out (of which 923 solar, 51 hydroelectric 59 biomass, 6 geothermal and 4 wind).
- R&D projects involving 2 192 enterprises were funded, along with 299 cooperation projects between research centres and enterprises.
- Competitiveness: 94 000 enterprises have received support for their investments.
- Transport infrastructure was further developed, priority being given to sustainable modes of transport, with 53 operations on multimodal platforms (680 000 m²), 54 operations in ports and 782 m of new docks.
- The Information Society was extended: 79 municipalities were connected to broadband, and 14 000 enterprises took advantage of new IT services/tools.

Programme amendments, subjects covered at the annual meeting and the meetings of the monitoring committees.

Programme amendments

7 proposals for programme amendments have been submitted by Italy for Objective 2 SPDs (“Toscana”, “Bolzano”, “Abruzzo”, “Emilia-Romagna”, “Veneto”, “Marche” and “Friuli-Venezia Giulia”). The main reason for amending programmes for Objective 2 was also sound management and financial implementation at the end of the programming period (amendment of allocations by priority axes). The allocation between programmes was left unchanged.

Annual meeting

In 2007, a single Annual Meeting was held in L'Aquila for Objectives 1 and 2. It was regarded as being good practice and will be continued. The agenda included:

- 2006 annual reports;
- financial execution and application of the “n+2” rule;
- resources from projects financed by national sources;
- setting-up of monitoring committees and transitional phase 2000-2006/2007-2013;
- preparation of 2007-2013 programming period.

Meetings of monitoring committees

Monitoring committee meetings for all programmes took place once or twice during the year: while they all examined the usual issues linked to implementation, the main issue was the programme amendment (financial reprogramming) for sound management reasons (complete absorption of funds at the end of programming period). More emphasis was also placed on the results of Structural Funds assistance.

10.3. Objective 3

Budgetary execution

According to the official monitoring data as at 31 December 2007 provided by the Italian Authorities, the average commitment rate on total eligible expenditure is 102.05% and the average payment rate on total eligible expenditure is 86.64%.

Some Operational Programmes are virtually closed. The ones performing the best in financial terms are “Friuli Venezia Giulia” (payment rate of 107.3%) and “Trento” (100.2%).

With respect to the “n+2” rule at the end of 2007, no decommitment is proposed, confirming the positive financial absorption throughout the financial period.

Overall results of programme implementation throughout the programming period

In the 2000-2006 programming period, the ESF has played an essential role in

- modernising the Employment Public Services, which in most Objective 3 areas can provide advanced and quality services;
- implementing active labour market policies for long-term unemployment; and
- improving training systems, also via the setting-up of a certification system for training bodies.

Implementation of the 2000-2006 Operational Programmes has also fostered a new approach towards evaluation, which is now generally seen as a management tool for

all public assistance, not only for co-funded projects. The ESF has also pursued and encouraged the development of the partnership principle at different levels.

No programme amendments were submitted in 2007.

The Annual Meeting was held in Rome in November. Given the smooth implementation of the 2000-2006 Operational Programmes, it mainly focused on the preparation of the 2007-2013 programming period.

Monitoring committee meetings for all programmes took place once or twice during the year: in addition to standard issues, such as the annual implementation reports, they addressed the drafts of the 2007-2013 Operational Programmes.

10.4. Fisheries outside Objective 1

According to the official monitoring data as at 31 December 2007 provided by the Italian authorities, the FIFG mono-fund Single Programming Document (SPD) commitment rate on total eligible expenditure has reached 99.5% and the payment rate on total eligible expenditure is 73.6%.

With respect to the “n+2” rule, a decommitment was envisaged at the end of 2007 of around EUR 4.2 million. This is not due to poor financial absorption but to the late transmission of the end of year payment request, i.e. beyond the 31 December deadline.

The FIFG SPD has also been amended with a view to sound management and financial implementation at the end of the programming period (amendment of allocations by priority axes). A monitoring committee meeting was held in July and dealt mainly with analysing implementation levels, amendments to programme complements in line with the final reprogramming decision, “n+2” forecasts and the state of play of information and publicity activities.

10.5. Community Initiatives

10.5.1. Equal

The EQUAL Programme did not have any problems with the “n+2” rule in 2007.

Payments in 2007 increased to EUR 69 897 918.81. To date, payments have risen to EUR 337 688 722 (total ESF contribution: EUR 401 364 808).

After a few problems, implementation of final activities has progressed.

10.5.2. Leader

There are 22 LEADER+ programmes in Italy, of which 21 regional programmes and one national programme, amounting to a Community contribution of EUR 289.1 million for the period 2000-2006.

From the official monitoring data received from the Italian authorities, on 31 December 2007 the level of commitments stood at 90.6% of eligible expenditure and the actual payments made amounted to 75.2% of forecast expenditure.

Lombardia, Veneto and Piemonte were the best performing programmes in terms of financial execution, with an expenditure rate of more than 87% of allocated financial resources.

In 2007, there were no decommitment decisions taken under the “n+2” rule was on Italian Leader+ programmes. However, the most recent data available show that two Italian programmes (Abruzzo and Puglia) did not meet the “n+2” target for 2007 itself. Decommitments of around EUR 1.9 million for Puglia and EUR 0.10 million for Abruzzo are therefore envisaged.

In 2007, four programmes were amended by Commission decisions (Toscana, Piemonte, Veneto and Liguria). The amendments related to financial programming adjustments.

The 2007 annual reports for all programmes were received. The main achievements in implementing the programmes were reviewed by the Commission with the managing authorities as part of the 2007 annual review. The Commission asked Italy and the managing authorities of the Molise, Liguria, Valle d’Aosta and Friuli Venezia Giulia programmes to improve the quality of the annual reports as regards the quantification of monitoring indicators and description of control activities.

All programmes showed significant progress in the implementation of measures, particularly as regards Axis 1 (support for rural development strategies, integrated and pilot actions), which was almost completed. Some progress was made on Axis 2 (inter-territorial and transnational cooperation), but implementation still lagged behind due to a number of complex technical issues.

Monitoring committees (MC) for the programmes were regularly convened. During the MC meetings the programmes and related programming complements were reviewed and updated, thus ensuring correct implementation of the programmes.

10.5.3. *Urban*

All the ten URBAN II Programmes for Italy were adopted by the Commission in November 2001 and amended in 2006. The total eligible cost of all ten URBAN II programmes is EUR 268 010 837, with an EU contribution of EUR 116 535 331 and EUR 17 006 545 from the private sector.

The managing authority of each Italian URBAN II Programme is the municipality of the city. The monitoring committees are therefore chaired by the Town Council and organised at local level, one for each programme, and include both institutional bodies and environmental and social-economic partners. Inhabitants and local partners are thus often directly involved in programme design and implementation.

Annual reports on implementation for the year 2006 were submitted in June 2007.

Two Italian programmes (Taranto and Misterbianco) did not meet the “n+2” rule for 2007.

Overall comments for the 2000-2006 period

Most of the Italian URBAN programmes have been very successful in their achievements and management. However, some of them ran into serious problems, which delayed implementation. There were no problems with meeting the programme outputs. Experience has demonstrated that a local authority-led project can be a successful model for locally-based regeneration.

10.6. Closure of the 1994-1999 programming period

All the 1994-1999 ERDF programmes have been closed (8 of them only partly). Projects have been suspended for judicial proceedings in seven programmes, for which the current outstanding commitment (RAL) is zero. Four programmes have been subject to a financial correction decision under Article 24 of Regulation 4253/88. The 1994-1999 RAL was reduced by 87% (i.e. EUR 41 million — from 47 to 6 million).

All 59 ESF files were processed. Currently, the RAL (outstanding commitments) amounts to approximately EUR 40 million and is entirely due to legal and/or administrative disputes at national level, which also considerably delayed the winding-up process. It will be possible to reduce this RAL gradually as soon as the legal action is resolved.

As regards EAGGF programmes, only eight still remained open at the end of the year. “Article 24” decisions have to be taken for all of these programmes.

11. IRELAND

2007-2013 programming period

For the 2007-2013 programming period, Ireland is no longer eligible under the Convergence objective (formerly Objective 1). The Border, Midland and Western Region (BMW) are “natural effect” regions as its GDP per capital already exceeds the EU-15 average. It has “phasing-in” status to the new Regional Competitiveness and Employment objective. The Southern & Eastern Region (S&E), having already completed the transition from Objective 1 in the 2000-2006 programming period, is eligible only for the main Competitiveness and Employment objective.

The organisation surrounding the NSRF in Ireland is based on a bottom-up approach, with the regional authorities organising local/regional meetings with the local partnerships and drafting the ERDF OPs. The Department of Enterprise, Trade and Employment (DETE), responsible for the ESF, has widely consulted with social, equality and labour market institutions to draw up the first drafts of the ESF OPs. The two regions, together with the DETE as part of the ex ante evaluation, have also commissioned extensive needs analyses and various foresight studies to prepare the new period. The Commission took its decision on the Irish NSRF on 27 July 2007.

The strategic focus of NSRF assistance is on the following themes and priorities for the European Regional Development Fund (ERDF):

- innovation, knowledge and entrepreneurship; and
- consolidating the competitiveness, attractiveness and connectivity of the National Spatial Strategy (Gateways and Hubs) through improved access to quality infrastructure and promoting environmental and sustainable development, including a coherent and balanced approach to regional development.

For the ESF, the NSRF indicates a single priority, which will be implemented through two corresponding priorities in the ESF OP:

- Human Capital Investment through upskilling the workforce and increasing the participation and activation of groups outside the workforce.

These themes are being implemented through three Operational programmes: ERDF OPs for the S&E and BMW regions, and one ESF Human Capital Investment (HCI) OP, together amounting to EUR 750 million of Structural Funds. The BMW and S&E Operational Programmes were approved by the Commission on 16 October 2007, the ESF OP on 6 November 2007. On 18 December 2007, the HCI OP was formally launched by the Minister for Innovation Policy, Michael Ahern, T.D. The launch was followed by the Inaugural Programme monitoring committee meeting. In terms of financial execution, the first advance payment of EUR 7 507 247 was made on 22 November 2007.

11.1. Objective 1

Implementation of the ERDF in the five Irish Objective 1 programmes — Economic & Social Infrastructure, Productive Sector (PSOP), Technical Assistance (TAOP), Border, Midland & Western (BMW) Region and Southern & Eastern (S&E) Region — continued at a satisfactory pace in 2007. Similarly, implementation of the ESF-funded EHRD OP and the ESF-funded childcare measures in the two regional OPs were also on schedule.

The impact of the Structural Funds contribution in the first two CSFs (1989-1993 and 1994-1999) is estimated to have raised GNP by 3% to 4%. The Structural Funds for 2000-2006 have played an important role in Ireland, both in the S&E and in the BMW regions, fostering of research, development and innovation and boosting information society capacity. In the period 2000-2006, the ERDF will have spent an estimated EUR 260 million on research, technical development and innovation and the information society. During the 2000-2006 period, Irish research and innovation capacity increased significantly, in particular in the S&E region, setting the basis for technology-based economy developments in the years to come.

Similarly strong impacts can be observed in the field of human resources, which has been a vital area of ESF assistance since 1989. While, in the years preceding 2000, investment boosted education and skills levels with a strong focus on young people while at the same time enhancing the employment prospects of the unemployed, funding in the 2000-2006 programming period has placed increased emphasis on responding to shortages through targeted supply-side initiatives in education and training. A good example of this development is the emphasis on in-company training and support for a number of lifelong learning schemes.

ERDF payments were submitted with a peak towards the end of the year. All payments to PSOP, BMW and S&E were temporarily interrupted while awaiting receipt of additional information on the Annual Implementation Reports. Use of the funds has been, generally speaking, fluid. The BMW payment claim of 21 December 2007 is under scrutiny by the Commission owing to possible “n+2” implications.

ERDF payments amounted to EUR 72.6 million in 2007, and have reached the ceiling of 95% for three of the programmes, i.e. PSOP, TA and S&E. Payments represent 93.89% and 71% for ESOP and BMW respectively.

In general terms, the management does deliver on the projects and the concomitant spending, although certain significant cost overruns have been identified over this period and certain measures — Waste Management, E-Commerce (Local Infrastructure Priority) and Tourism (all ERDF co-funded) — for the regional programmes have been progressing more slowly than other measures. However, even these measures are now performing much more satisfactorily than was previously the case.

The situation regarding payments is similar to the ESF position: payments amounted to 95% of the total Social Fund allocation to the EHRD OP and the BMW OP.

Payments for the S&E OP came close, reaching 84%. ESF payments for 2007 amounted to EUR 114 million.

EAGGF

The revised EAGGF-Guidance section amounts to EUR 153.6 million. Cumulative EAGGF (Guidance) payments to the end of 2007 amount to EUR 133.8 million or 87.11% of the amount scheduled for the programming period 2000-2006..

EAGGF Guidance will not contribute to the two-year extension of the PEACE II operational programme, jointly managed with Northern Ireland. Therefore, the EUR 12.6 million EU contribution to the programme was not increased. Up to the end of 2007, total expenditure for the PEACE II programme was EUR 43.5 million, 99.3% of the budget of EUR 44 million for the years 2000-2004.

FIFG

EC payments for PSOP amounted to 64% of the total FIFG allocation for the programme by 31 December 2007. For the aquaculture measures of the S&E and BMW programmes, EC payments amounted 86% and 72% respectively.

Monitoring committee meetings

Monitoring committee meetings were held for all programmes, with participation from the Commission. Several horizontal working groups (environment, equal opportunities, etc.) have been put in place at CSF/NDP level, with the objective of measuring the inclusion of themes in programmes. Participants from all the OPs are involved. A final report on the implementation of gender equality was delivered to the CSF monitoring committee in December 2007. Closure preparation was a regular item on the agenda of the PMCs.

Annual reports and annual meeting

All but two (PSOP and TA) of the Irish Annual Implementation Reports were received by the Commission within the regulatory deadlines. The Annual Review Meeting for 2005 and 2006, covering all programmes under the Objective 1 CSF, took place on 25 September 2007. This meeting focused on the ongoing implementation of the programmes, with particular reference to the various audits that have been undertaken by the Commission and the internal audit services in Ireland in order to address certain weaknesses found. The Commission asked the Irish managing authorities and the Department of Finance to strengthen their management and control systems (Article 4 and Article 10 checks) and to provide more detailed information on the findings from these checks. The Commission also asked Ireland to communicate preliminary indicative results of the look-back exercise as far as possible.

Amendments

During 2007, the BMW, S&E and PSOP were each subject to one programme complement amendment procedure.

11.2. Community Initiatives

11.2.1. Equal

The Irish EQUAL programme proceeded without any major difficulties in 2007. There are 43 Development Partnerships funded under the Equal Community Initiative in Ireland, of which 21 DPs are Round 1 and 22 DPs are Round 2. At the end of 2007, the rate of financial execution of the ESF was 83.2% of the total. Payments amounted to EUR 6 287 439. Automatic decommitment under the “n+2” rule was avoided for 2007.

The EQUAL Closing Conference took place in Dublin On 9 October 2007.

In July 2007, the Commission adopted a decision amending the financial plan and transferring funds from priorities 2 and 3 to priority 4.

11.2.2. Leader

The EU contribution for 2000-2006 amounts to EUR 48.745 million. At the end of 2007, expenditure amounted to EUR 31.5 million, 64.7% of the initial programme budget. The mid-term evaluation of Leader+ was received by the Commission in November 2005 and reported that there had been significant progress since phase 1 of the programming period. The “n+2” target was not reached in 2007 and EUR 2.8 million was decommitted.

11.2.3. Urban

The Dublin-Ballyfermot URBAN II programme is the only URBAN II Programme in Ireland. It was approved in December 2001, and amended in 2004 as a result of indexation. The ERDF will contribute a total of EUR 5.38 million to this programme, whose total cost amounts to EUR 11.58 million. In 2006, there was an amendment to the Programme Complement with no changes to the financial tables. The monitoring committee did not meet during 2007 as the programme is winding down towards closure. The annual review was conducted in writing with the responsible authorities encouraged to make whatever efforts were necessary to ensure appropriate financial control in anticipation of closure. N+2 for 2007 was reached with ease.

Overall comments concerning the 2000-2006 period in Ireland

The Ballyfermot URBAN II programme has been very successful, both in its achievements and management. There were no problems with meeting the programme outputs and yearly “n+2” targets. The success and legacy of the URBAN II programme provided a sound basis for the planning of the next structural Funding period in Ireland, and integrated urban development will figure strongly in future Operational Programmes.

11.3. Closure of the 1994-1999 programming period

The RAL is zero for ERDF 94-99.

At the end of 2007, the ESF 94 – 99 was closed and the RAL was zero.

With regard to EAGGF, the remaining 2 programmes were closed in 2007 (one programme already having been closed in 2006).

For the FIG, the C.I. PESCA programme has not been closed.

12. LATVIA

2007-2013 programming period

The National Strategic Reference Framework and the Operational programmes were approved in the third quarter of 2007. There are three operational programmes, two of which are ERDF/CF co-financed.

For the Entrepreneurship and Innovations OP (2007LV161PO001), EUR 80 million was committed in September 2007 and the advance payment was made in October 2007 (i.e. EUR 15 million under the ERDF). For the Infrastructure and Services OP (2007LV161DO002), EUR 169 million was committed in December under the CF and EUR 186 million under the ERDF. Advance payments for that programme were EUR 38 million under the CF and EUR 34 million under the ERDF in December. For the Human Resources and Employment OP (2007LV051PO001), EUR 60 million was committed in November 2007 under the ESF. Advance payment for the programme of EUR 11 million was made in December 2007.

For the “Innovation and Entrepreneurship” OP, a first set of selection criteria was officially adopted in November 2007, while for the other operational programmes draft selection criteria were drawn up for later formal adoption. Selection criteria are defined against priorities, measures and activities and they are approved by the monitoring committee. In general, these criteria largely take due account of EU policies and the horizontal priorities of the programmes.

Implementation of projects on the ground has not yet started, with the exception of the tendering for infrastructure projects, on which a funding decision has not yet been taken.

2000-2006 programming period

12.1. Objective 1

Latvia, an Objective 1 NUTS II country, has financed eligible operations from the Structural Funds since 1 January 2004. With an ERDF participation of EUR 382 million, out of a total of EUR 626 million for the Objective 1 Structural Funds, the SPD contributes to the Latvian strategic objective of building a knowledge-based economy. The SPD (2003LV161DO001) strategy is based on four priorities (excluding Technical Assistance): (i) Promotion of Territorial Cohesion, (ii) Promotion of Enterprise and Innovation Development of Human Resources, (iii) Promotion of Employment and (iv) Promotion of Development of Rural Areas and Fisheries. The SPD (Structural Funds) is coordinated by the managing authority within the Ministry of Finance. The Paying Authority and the Audit Body are separate Departments within the same ministry.

The SPD for Latvia 2003LV161DO001 was last amended in March 2007, following a request Latvia submitted in December 2006. The amendment concerned the shifting of funds within priorities in order to ensure sound financial management and redefine some of the activities. The programme complement was then adapted in line with the above programme amendment.

Payment claims resulted in payments of EUR 153 million under the ERDF and EUR 65 million under the ESF. 66% of the ERDF budget and 57% of the ESF budget have been paid out against interim payment claims submitted by Latvia. In general, commitments at national level are close to 100%. The agreed objectives (among others, 40 improved water service systems; 250 km of renovated roads; 12 research centres assisted) for the programme have already been reached in most cases.

Implementation of FIFG measures progressed well in 2007 and the programme met its “n+2” target. Payments in 2007 amounted to EUR 8 million. By the end of 2006, 75% of the total FIFG allocation had been paid out against interim payment claims submitted by Latvia, while commitments at national level are close to 100%. The agreed targets for the FIFG measures have already been reached in most cases.

The annual meeting for 2007 was postponed to February 2008 in order to give priority to the adoption of the operational programmes for the 2007-2013 programming period. The main issue at the annual meeting was the impact of macroeconomic developments on programme implementation. Latvia has the highest inflation rate (16%) within the EU and, as a result, projects face significant cost increases (in the construction sector), which might endanger their finalisation.

Despite meeting its “n+2” targets, Latvia is considered to be a slow absorber of ERDF funds, and the risk of decommitment at stage is considered to be high. The Commission has asked to be informed of any steps taken by the managing authority to accelerate absorption (i.e. action plan, close monitoring, redistribution of funding, over-commitments) and encouraged Latvia to take steps in this respect. The ministries with the worst absorption rates are the Ministry of Economy and the Ministry of Education and Science. The managing authority is closely monitoring both of these Ministries. The task of absorbing EUR 175 million in order to achieve full absorption is a stiff one, in particular given that Latvia intends to close the eligibility period early (i.e. by the end of August 2008) in order to avoid any overlapping of tasks in the bodies responsible for the 2000-2006 and the 2007-2013 programming periods.

12.2. Community Initiatives

12.2.1. Equal

The Latvian EQUAL programme proceeded without any major difficulties in 2007. At the end of 2007, the rate of financial execution of the ESF amounted to 95% of the total. Payments amounted to EUR 4.5 million. Automatic decommitment under the “n+2” rule was thus avoided for 2007.

A decision amending the initial decision for the Latvian EQUAL programme was adopted in March 2007 and related to the transfer of funds from Priority 1 ‘Employability’ to Priority 3 ‘Adaptability’. Two monitoring committee meetings were held — on 26 June 2007 and 13 November 2007 respectively. The first approved the Annual Implementation Report for 2006 and the second examined the evaluation report. No annual review meetings were held in 2007.

12.2.2. Leader

Leader+ type measures were included in the Objective 1 programme under Priority 4: “Promotion of Development of Rural Areas and Fisheries”. The EU contribution for 2004-2006 amounts to EUR 2.283 million. The start of Leader+ type measures was delayed due to administrative and legal problems.

In December 2006, seventeen Local Action Groups were selected; project selection was completed in October 2007 with contracts covering 100% of the finances available.

13. LITHUANIA

2007-2013 programming period

Negotiations between the Commission and the Lithuanian authorities on the Lithuanian National Strategic Reference Framework (NSRF) and the four operational programmes, two co-financed jointly by the ERDF and the Cohesion Fund (“Economic Growth” and “Promotion of Cohesion”) and two co-financed by the ESF (“Human Resources Development” and “Technical Assistance”), were successfully concluded in 2007. The Commission Decision approving certain parts of the Lithuanian NSRF was adopted on 26 April 2007, the Commission decisions approving the operational programmes co-financed by the ERDF were adopted on 30 July 2007, and the Commission decisions approving the “Human Resources Development” and the “Technical Assistance” operational programmes co-financed by the ESF were adopted on 24 September 2007 and 18 December 2007 respectively. The operational programmes for “Economic Growth” and “Human Resources Development” have particularly strong links with the priorities of the renewed Lisbon strategy. The operational programme for “Promotion of Cohesion” provides strategic responses to the developmental disparities within Lithuania.

2000-2006 programming period

13.1. Objective 1

General

The Lithuanian Objective 1 Programme (Single Programming Document of Lithuania for 2004-2006) covers the whole of Lithuania as an eligible area. The programme was adopted by Commission Decision C(2004)2120 of 18 June 2004 and is co-financed by the ERDF (EUR 583.9 million), the ESF (EUR 176.2 million), the EAGGF (EUR 122.9 million), and the FIFG (EUR 12.1 million). The national counterpart consists of EUR 309.5 million of public funding and EUR 2.3 million of private financing. Thus, the Structural Funds provide EUR 895 million out of a total budget of EUR 1207 million. The managing authority of the programme is the Ministry of Finance of the Republic of Lithuania.

The programme consists of five priorities: Socio-economic Infrastructure (EUR 347.1 million, ERDF), Human Resources Development (EUR 163.8 million, ESF), Productive Sector and Services (EUR 222.4 million, ERDF), Rural and Fisheries Development (EUR 122.9 million, EAGGF and EUR 12.1 million, FIFG), and Technical Assistance (EUR 14.5 million, ERDF and EUR 12.4 million, ESF).

Monitoring and annual review

Two programme monitoring committee meetings were held in 2007. Attainment of the quantified targets and financial implementation of the programme, as well as adjustments to the programme complement, were among the key items discussed.

The 2006 annual implementation report was duly submitted by Lithuania and accepted by the Commission. The report contains useful information on the status of

SPD implementation in 2006. A number of examples of good practice projects are given, thus making the report more informative and reader-friendly to the general public. The report also contains structured information on financial implementation and monitoring indicators, although in some cases the availability of reliable and consistent monitoring information is not evident.

An annual review meeting was held on 18 October 2007. The main discussion items were the contents of the annual implementation report and the preparations for closure of the programme.

Information and publicity

Information and publicity activities were implemented in 2007 using a variety of printed and electronic media. The Lithuanian authorities organised a national information and publicity event in Vilnius on 24 May 2007, showcasing a selection of best project examples, including an open internet vote to select the most popular projects co-financed by the Structural Funds. A public internet portal www.esparama.lt operated by the Lithuanian Ministry of Finance has proved to be a helpful tool in providing timely data on the planning and implementation of EU structural assistance in Lithuania.

Payments and programme results

By the end of 2007, 67% of the total ERDF allocation and 51% of the total ESF allocation, including an advance payment, had been paid out to Lithuania by the Commission, and more than a thousand operations had been granted assistance from the ERDF. As to the attainment of the quantitative objectives of the programme, some divergences can be observed between the forecast and actual achievements. While the quality of assisted operations is being monitored by the national authorities, in 2007 greater attention has also been given to increasing the consistency and reliability of the system of indicators of the programme.

With regard to FIFG measures, by the end of the year, the Commission had paid 79% of the total of EUR 12.2 million allocations (including advance), while over 90% was committed by the national authorities. There was no “n+2” risk in 2007. However, 2008 will be crucial year in terms of absorbing the remaining funds.

At the end of 2007, the absorption rate of the total EAGGF-Guidance allocation (including the advance) reached 84.5%. By that date, 82% of operations financed by the EAGGF-Guidance Section had been completed.

13.2. Community Initiatives

13.2.1. Equal

At the end of 2007, the rate of execution of the ESF part of the Lithuanian EQUAL programme was approximately 57% of the total, including a 16% advance. Automatic decommitment under the “n+2” rule was avoided for 2007. The managing authority held two monitoring committee meetings. The Commission Decision was amended on 15 May 2007.

13.2.2. Leader

Leader+ type measures are mainstreamed in the Objective 1 programme under Priority 4: Rural and Fisheries Development. In total, ten Local Action Groups were selected for implementation of the pilot integrated strategies.

14. LUXEMBOURG

2007-2013 programming period

For the 2007-2013 programming period, Luxembourg is to receive Cohesion Policy funds from the European Union to help it implement two programmes under the Regional Competitiveness and Employment objective (one ERDF programme and one ESF programme, each worth EUR 25.2 million), plus one or possibly several programmes under the European Territorial Cooperation objective for an amount of EUR 14.8 million. The total support provided therefore amounts to EUR 65 million.

The signing ceremony of the National Strategic Reference Framework (NSRF) took place in Luxembourg in the presence of Danuta Hübner, the Commissioner responsible for regional policy, and Jeannot Krecké, the Minister for Economic Affairs and Foreign Trade. The event officially marks the European Commission's agreement on the investment strategy chosen by Luxembourg to implement Cohesion Policy for 2007-2013. The Commissioner also held discussions with Prime Minister Jean-Claude Juncker.

The NSRF for Luxembourg was officially adopted by the Commission on 8 October 2007. In their national strategic reference framework, the Luxembourg authorities describe how they plan to invest the EUR 65.27 million of European funding over seven years, in accordance with the Lisbon strategy for growth and employment. The following priorities are defined:

- help make Luxembourg more attractive for investment and jobs: this means in particular promoting the establishment of small and medium-sized enterprises (SMEs) and redeveloping urban centres that have undergone economic change;
- improve knowledge and innovation, which are growth factors: to invest in equipping private and public research centres and encourage the innovation efforts of enterprises; to create more and better jobs; to give job seekers individual attention and to increase the low employment rates of women and older workers.

The entire country is to benefit under the Regional Competitiveness and Employment objective, in contrast to the 2000-2006 period when only certain specific areas were entitled to benefit from ERDF funds.

Strategic objectives — This strategic document forms the framework for European investment of EUR 65.2 million in Luxembourg during the 2007-2013 programming period. The authorities have set three priorities for investment, namely, to help

- make Luxembourg a more attractive place for investing and working, notably by promoting the establishment of small and medium-sized enterprises (SME) and redeveloping urban areas that have undergone economic change;
- improve knowledge and innovation, two key growth factors, by focusing investment on equipping private and public research centres and by encouraging the innovation efforts of enterprises;

- create more and better jobs, by providing personal assistance to job seekers and by increasing the low employment rates among women and older workers.

The expected impact of the new Cohesion Policy — Due to its limited financial resources, the NSRF must ensure that the Community support focuses on a set number of themes and priorities and on operations that pave the way in terms of regional development and employment. The aim is to avoid all forms of ‘diluting’ or ‘spreading thinly’ and to obtain maximum Community value added.

One of Luxembourg’s features is its low level of public investment in research and development (R&D). Private R&D differs in that it is concentrated in a handful of large enterprises. However, the setting-up of the University of Luxembourg and a National Research Fund should help to improve the situation. Investments in R&D should achieve the 3% of GDP target by 2010.

The NSRF will help Luxembourg to meet the objectives that it set itself under the Kyoto Protocol, namely reducing greenhouse gas emissions by 28% by 2012 in comparison to 1990 levels.

Investment for growth and jobs — 75% of the total Funds will target the priorities set out in the Lisbon Strategy for growth and jobs (notably research and innovation, energy efficiency, freeing up SMEs, entrepreneurship and education, investment in human capital and modernisation of labour markets). As regards the ERDF, 82% of expenditure will be in line with the Lisbon Strategy. For the ESF, the entire amount will be allocated to the Integrated Guidelines (IG) for growth and employment, as established at Community level.

Operational programmes — The objectives of the NSRF will be implemented through two operational programmes: one ERDF Luxembourg programme and one ESF Luxembourg programme.

Additional financial support of EUR 14.8 million is to be set aside for the European Territorial Cooperation objective.

2000-2006 programming period

14.1. Objective 2

2007 concentrated on best consumption of the allocation of appropriations in an effort to avoid any decommitment under the “n+2” rule.

Overall, 100% of the programme budget was allocated through grant agreements.

The programme monitoring committee met twice in 2007, at the initiative of the Ministry of Economy and Transport, the managing authority of the programme. The Commission played an active part in the work of the committee.

The annual report was adopted at the May meeting of the monitoring committee.

The level of the expenditure submitted for payment from the ERDF amounted to EUR 31.43 million, i.e. 71.4% of the ERDF allocation at the end of 2007.

14.2. Objective 3

The Objective 3 programme involves a total ESF contribution of EUR 35.57 million. At the end of 2007, the rate of execution amounted to 66% of the total.

Four requests for payment were submitted to the Commission in 2007 for a total amount of EUR 2.31 million, but two requests were not executed following the audit mission in June-July 2007, which detected serious deficiencies with regard to Articles 3, 4, 7 and 9 of Regulation 438/2001.

The Luxembourg Authorities launched a call in 2007 for the extension of existing contracts in order to reduce the risks of decommitment as far as possible. Nevertheless, absorption capacity remains a problem and, under the “n+2” rule, EUR 3.89 million will have to be decommitted.

The annual meeting took place on 13 February 2007 and the monitoring committee met on 26 June 2007. The annual report for 2006 was adopted by the monitoring committee in June 2007 and approved by the Commission in September 2007, subject to a number of reservations regarding the lack of evaluation concerning older workers and the lack of results indicators.

14.3. Community Initiatives

14.3.1. Equal

Despite minor “n+2” problems, the Luxembourg programme runs smoothly. However, the audit mission held in June-July 2007 brought serious deficiencies to light, which are still being discussed with the national authorities. EUR 0.3 million will have to be decommitted under the “n+2” rule.

No annual meetings were held in 2007 and the Equal representative of the Commission was not present at the monitoring committee meeting that took place on 26 June 2007.

14.3.2. Leader

The programme involves total public expenditure of EUR 8.42 million, of which EUR 2.14 million from the EAGGF Guidance Section. In Luxembourg, 4 LAGs were selected, covering 90 000 inhabitants, and a fifth is financed by national funds.

At the end of 2007, after seven years of implementation, the total financial execution is 66.66% of the total EAGGF-Guidance expenditure scheduled for the period 2000-2006, i.e. EUR 1.40 million out of a total of EUR 2.1 million.

The National Leader network unit became fully operational in 2004. Implementation of the programme is currently satisfactory for all stakeholders.

15. HUNGARY

2007-2013 programming period

The Commission formally adopted the Hungarian National Strategic Reference Framework on 7 May 2007 and all fifteen Operational Programmes (seven regional and eight sectoral programmes; thirteen financed from the ERDF/Cohesion Fund, two from the ESF) by mid-September 2007. Two sectoral operational programmes, notably Social Infrastructure and Economic Development OPs cover the six Convergence regions,¹¹ while the Social Renewal, State Reform, Transport, Environment and Energy, Implementation and E-administration Operational Programmes cover the whole country.

The Structural Funds contribution to the NSRF is EUR 16.279 billion at current prices, while the Cohesion Fund contribution is EUR 8.642 billion at current prices. Within the same period, an amount of EUR 3.840 billion will be available for Hungary from the EAFRD and EFF. Assistance from the Structural Instruments breaks down as follows: ERDF 50.8%, ESF 14.6%; CF 34.7%.

The first official meetings of the programme monitoring committees were held for all operational programmes in autumn 2007. The main issues discussed at the meetings included the rules of procedures and the project selection criteria.

The first calls for proposals were launched in February 2007. By the end of 2007, 195 calls for proposals had been published, 10-13 for each operational programme. Around 800 centrally appointed ‘key projects’ have also been selected.

2000-2006 programming period

15.1. Objective 1

The Hungarian Community Support Framework for 2004-2006 consists of five operational programmes covering the whole country, since all the seven Hungarian NUTS II level regions correspond to Objective 1 in the 2004-2006 period. The Structural Funds contribution to the CSF is EUR 1.995 billion at current prices. Assistance from the Structural Funds breaks down as follows: ERDF 62.1%, ESF 22%; EAGGF Guidance Section 15.68%; FIFG 0.22%.

In terms of ERDF expenditure, the 2004-2006 Hungarian Community Support Framework achieved good results. The payment rate was 86.28% of total public funding (including 16% of advance payments). In terms of ESF expenditure, the payment rate was 63% of total public funding (including 16% of advance payments). The “n+2” targets for 2007 were met by all operational programmes and Funds.

monitoring committee meetings were held for each OP and for the CSF. The Annual Review Meeting on the Structural Funds took place on 21 November 2007.

¹¹ For the 2007-2013 programming period, Hungary has six NUTS II level regions under the Convergence objective and one region under the Regional Competitiveness and Employment objective.

Economic Competitiveness OP

The ECOP payment rate was 91.15% of the total public cost by the end of 2007. The most successful priority in terms of payments to final beneficiaries was the Investment Promotion priority. The least successful in terms of absorption were the R&D, innovation and information society priorities, due to the complexity of projects and the type of beneficiaries (local governments, universities). The IBs took further steps to accelerate payments, including letters to beneficiaries, direct calls, and roadshows in regional centres.

Human Resources Development Operational Programmes (HRD OP)

The ESF co-finances most of the priorities of the HRD OP (“Supporting active labour market policies”; “Fighting social exclusion by promoting access to the labour market” and “Promoting lifelong learning policies”). The “n+2” target was reached for 2007 and the payment rate was 61% of the total ESF allocation by the end of the year. Although progress seemed to be satisfactory in general, a few measures were lagging behind in terms of implementation. Steps had been taken to accelerate payments towards the final beneficiaries and to raise the absorption rate of the OP. Due to administrative changes in the management system of the programme, the implementing chapter of the OP was amended twice in the course of 2007. Two out of the three IBs had undergone significant changes, which also contributed to the lower absorption rate of some measures.

The ERDF co-finances priority 4 of the HRD OP, aimed at the “Development of Education, Social and Health Infrastructure”, which has performed rather well, most projects being expected to be closed in the first half of 2008. The ERDF payment rate by the end of 2007 was 66.77% of the total ERDF allocation to the OP. The measures “Developing the infrastructure of education and training” and “Developing the infrastructure of services supporting social inclusion” progressed normally, but there is a slight risk of loss in the measures “Development of health care infrastructure in regions lagging behind” and “IT Development in health care in regions lagging behind” due to the ongoing reorganisation of health institutions. The MA and the IBs are working to minimise potential losses.

Environmental Protection and Infrastructure Operational Programme (EIOP)

The Operational Programme for the Environment and infrastructure progressed well in 2007. The overall level of payments reached 86.98%. Satisfactory progress was noted in both the environmental protection and the transport infrastructure axes. The uptake of technical assistance funds still needs to be improved.

Operational Programme for Regional Development (OPRD)

The average payment rate for the OPRD reached 90.00% of the total public cost. As regards programme allocation, there was overbooking of 10-12%, in order to cover the loss of resources and to handle exchange risks. The “n+2” target for 2007 was achieved in the case of the ERDF.

Implementation of the ESF-financed priority (“Strengthening the regional dimension of human resource development”) accelerated after a slow start. The “n+2” target was reached in 2007 and the payment rate by the end of the year was 73% of the total ESF allocation. Further efforts are needed to reach the target for 2008 (especially in the case of the central projects).

The Operational Programme for Agriculture and Rural Development (ARDOP)

The ARDOP’s contracting and payment rate showed remarkable progress in 2007. As at 31 December 2007, total payments made under measures co-financed by the EAGGF-Guidance Section (including the advance) amounted to EUR 285 million or 91% of the total Fund allocation for the period 2004-2006.

Fisheries

In 2007, four payments were made to cover the reimbursement claims. Overall, the FIG payment rate is 69% (out of EUR 4 389 million). Most of the funds are spent on aquaculture.

15.2. Community Initiatives

15.2.1. Equal

The Hungarian EQUAL Community Initiative Programme supports innovative projects in the field of employability, lifelong learning, equality between women and men, and support for asylum seekers. The ESF contribution amounts to EUR 30 292 135. Through a PC amendment in 2007, funds were re-allocated from the preparatory phase to the mainstreaming phase, which underlines the shift of priorities towards the latter. The flow of declared expenditure was constant in the course of 2007, there was no “n+2” decommitment, and the payment rate was 61%.

15.2.2. Leader

Hungary has included a Leader+ type measure in the ARDOP under priority 3, development of rural areas. Implementation is underway.

16. MALTA

2000-2006 programming period

16.1. Objective 1

Budgetary execution

Malta's Objective 1 SPD for 2004-2006 progressed at a good pace in its fourth year of implementation:

- 100% was already committed in 2006.
- Cumulated payments executed increased from 39.7% (31.12.2006) to 75.42% (31.12.2007).
- The “n+2” threshold was exceeded on every fund, even without considering the advance payment.

As regards implementation of the EAGGF, , total payments made as at 31 December 2007 under measures co-financed by the EAGGF-Guidance Section amounted to EUR 2 621 131 (interim payments of EUR 1 949 131 and advance payments of EUR 672 000). Interim payments executed in 2007 amounted to EUR 1 085 855.

Overall results of programme implementation throughout the programming period

The key issue of internal cohesion is the catching-up process of Gozo, the sister island of Malta, with its double insularity problems. Successful sectors of intervention on the island of Gozo, leading to results in 2007, were:

- accessibility (roads)
- support for tourism and manufacturing (linked)
- human resources development (training centres, lifelong learning and retraining)
- environment enhancement and environmental protection (natural heritage, landfill effluent treatment, separate household collection and treatment)

A wide publicity campaign and survey on EU and EU funds was run in 2007, in parallel with Eurobarometer. The main outcomes were that:

- the Structural Funds appear to be much more popular than the EU itself (72% against 46%);
- awareness of Structural Funds projects, already high (69%), had slightly increased to 72%;
- most of the popularity is linked to assistance on roads (80%) and on water (>30%, very high for a network service);

- most people shared the opinion of additionality of funds (“such project would not have been implemented without the EU contribution”)

Programme amendments, subjects covered at the annual meeting and monitoring committee meetings

The monitoring committee met 3 times in 2007, with the aim of ensuring effective follow-up and control of assistance:

- in February – for monitoring purposes only, without the attendance of the Commission,
- in May and October — as “decisional” MC involving the Commission desks.
- Main subjects covered:
 - implementation update
 - adoption of annual implementation reports (in May)
 - amendment to the programme complement
 - thematic evaluation of projects financed in Gozo
 - publicity campaign and survey on EU and EU funds

There was no annual meeting as usual, in agreement with the Commission, due to the regular monitoring in place.

An amendment to the SPD was required in 2007 in order to increase the allocation of the national counterpart to the FIG. The decision was adopted by the Commission in August. Subsequently, an amendment to the programme complement was adopted.

Another minor amendment to the programme complement, concerning project selection and a slight revision of targets, was started in 2007 and completed in 2008.

16.2. Community Initiatives

16.2.1. Equal

All EQUAL projects had finalised their training activities by the end of December 2007. The monitoring committee (MC) on the EQUAL Community Initiative Programme met twice during 2007, in May and October.

The EQUAL Programme did not have any problems with the “n+2” rule in 2007. By the end of 2007, total payments made under the Equal Programme amounted to EUR 1.1 million (out of total ESF payments of EUR 8.7 million).

17. NETHERLANDS

2000-2006 programming period

17.1. Objective 1

The Flevoland province receives phasing-out support under Objective 1 amounting to EUR 131.9 million (of which EUR 81.7 million ERDF and EUR 33.6 million ESF). Programme implementation proceeded relatively smoothly. By the end of 2007, some EUR 77.6 million or 95% of the ERDF allocation had been effectively spent and certified. For the ESF, certified expenditure amounted to EUR 28.8 million or 86% of the ESF allocation. By end of 2007, the managing authority had submitted a minor adjustment to the financing plan of the programming complement.

Global execution of the EAGGF-Guidance Section at the end of 2007 amounted to EUR 8.0 million or 77% of the EAGGF allocation.

17.2. Objective 2

Financial absorption of the four Objective 2 programmes continued in a satisfactory manner, as before. By the end of 2007, all programmes had received between 82% and 86% of the respective ERDF allocation. There is a risk of decommitment under the “n+2” rule for 2006 for two programmes, amounting to a total of some EUR 8.5 million.

During 2007, coordination within the Netherlands further improved and better control and monitoring procedures were implemented in the context of the action plan that was agreed upon following the 2005 and 2006 audits. The Annual Review Meeting (covering the 2000-2006 Objectives 1 and 2 and also the new 2007-2013 operational programmes) was held on 9 November in Eindhoven. The major issues concerned the effects of the National Action Plan and the start of the new programming period 2007-2013.

Commissioner Hübner concluded a series of regional visits to the Netherlands in Limburg (in March) and Noord-Brabant (in June). She also met the Dutch Queen and the German President at the Dutch-German border in Twente (in October).

17.3. Objective 3

The total available ESF allocation for the SPD amounts to EUR 1.5 billion, which had been committed by the end of October 2005. All projects terminated by the end of 2007. Payment applications received up to 31 December 2007 cover 78% of the available allocation and exceed the available budget of the 2005 tranche. No decommitment is therefore envisaged. By the end of 2007, the managing authority had submitted an adjustment to the financing plan of the programming complement. The monitoring committee met twice and the Annual Implementation Report was received on time.

17.4. Fisheries outside Objective 1

The total FIFG allocation (including performance reserve) to the fisheries programme is EUR 33.5 million. The most important measures, in line with the Common Fisheries Policy, are scrapping of vessels, processing and marketing, collective investments and innovative measures. Although overall implementation of the programme has been rather good, the programme is now subject to the “n+2” rule for the first time (EUR 0.745 million of 2005 commitment appropriations). By the end of 2007, the 2006 annual implementation report had not yet been submitted to the Commission.

17.5. Community Initiatives

17.5.1. Urban

Three URBAN II programmes are implemented in the Netherlands in respect of the 2000-2006 programming period in the cities of Amsterdam, Rotterdam and Heerlen. The ERDF contribution to the programmes in Amsterdam and Rotterdam is around EUR 9 million each and in Heerlen around EUR 12 million, the total eligible cost of the programmes amounting to some EUR 84 million. The city itself is both managing authority and paying authority.

The 2006 annual reports have been received and accepted, giving accounts of satisfactory implementation of all three programmes. This development was confirmed by the fact that all three programmes managed to reach the “n+2” target for 2005 at the end of 2007.

In the case of all three URBAN II programmes, the city itself is both the managing and the paying authority. The Ministry of the Interior provides informal coordination of information.

Overall comments concerning the 2000-2006 period in the Netherlands

The programmes are running very well and their impact can be seen in terms of improved safety, economic development and jobs for young people with low qualifications. In general, the projects of these programmes were assessed as being innovative. The management and implementation structure made for swift completion of projects.

17.5.2. Equal

Although the EQUAL programme in the Netherlands proceeded without any major difficulties in 2007, payment applications received up to 31 December 2007 were not sufficient to reach the “n+2” target for 2005. A decommitment of EUR 17.9 million is therefore envisaged.

All projects ended by 31 December 2007. A closure conference was organised in December 2007, at which the 5 national thematic networks (Integration and Labour Market, Learning and Working, Activation, Equal Opportunities, and Entrepreneurship) presented their final reports. An electronic database containing the products and methodologies developed by EQUAL projects will be published (first half of 2008) at www.agentschapszw.nl.

The monitoring committee met once and the Annual Implementation Report was received on time.

17.5.3. Leader

Four Leader+ programmes are being implemented in the Netherlands in the 2000-2006 programming period (Randstad, Noord, Zuid and Oost). The EAGGF-Guidance Section contribution to these programmes amounts to EUR 82.6 million. At the end of 2007, global execution amounted to EUR 56.0 million or 67.8% of the EAGGF allocation.

For the programme Leader+ Randstad, decommitment under the “n+2” rule, amounting to EUR 1 065 846, was enacted by Decision C(2007)6668. No other changes to the programmes were made in 2007.

17.6. Closure of the 1994-1999 programming period

It has not yet been possible to close the only remaining Dutch programme with ERDF assistance. A revised proposal has been prepared in the context of an Article 24 procedure. However, the unsettled commitment involved is very small.

As regards the ESF, three programmes remain open, despite a decreasing number of ongoing judicial procedures.

18. AUSTRIA

2007-2013 programming period

The National Strategic Reference Framework (NSRF – designated in Austria as “strat.at”) was adopted by Commission Decision C(2007)1462 on 04/04/2007. It provides for total ERDF and ESF contributions of EUR 680 066 021 and EUR 524 412 560 respectively. 5 priorities are envisaged:

- (1) regional competitiveness and innovation;
- (2) attractive regions and quality of location;
- (3) employment growth and qualification of the labour force;
- (4) territorial cooperation;
- (5) governance.

The ESF OP Burgenland Phasing-Out Objective 1 2007-2013 was adopted by Commission Decision C(2007)4485 on 25/09/2007, and the OP Employment by Commission Decision C(2007)6721 on 17/12/2007.

The kick-off conference on the Structural Funds period 2007-2013 in Austria, held in Eisenstadt in June 2007, assembled federal authorities (Oerok, ministries, Federal Chancellery), the regional level (Länder, managing authorities), the European Commission (DG REGIO and DG EMPL) and business representatives. Speakers underlined the positive impact of SF support for Austria’s regional and spatial development.

The first Monitoring Committee Meeting Burgenland Phasing-Out Convergence 2007-2013 held in Lutzmannsburg in June 2007 covered both ERDF and ESF OPs. The meeting laid the first cornerstones in terms of rules of procedure and project selection criteria.

The first Monitoring Committee Meeting of the Austrian OP ESF Employment 2007-2013 took place in Vienna on 20 June 2007 and adopted the rules of procedure. Progress with the OP, project selection criteria, questions relating to publicity and Territorial Employment Pacts were also discussed.

The Operational Programme for the implementation of the European Fisheries Fund in Austria was adopted on 17 December 2007. Commitments of the annual amounts for 2007 and 2008 have been made. The advance payment of 7% (out of a total budget of EUR 5 259 318) was made on 3 January 2008. This includes EUR 13 112 for the region under the Convergence Objective, Burgenland, and EUR 355 039 for the rest of the country outside the Convergence Objective. The first meeting of the monitoring committee was held on 1 February 2008. Selection criteria and national implementing legislation are in place.

2000-2006 programming period

Austria received a total Structural Fund contribution of EUR 1 782 million between 2000 and 2006 from the ERDF, ESF, EAGGF and FIFG.

18.1. Objective 1

The only Objective 1 region in Austria is Burgenland. In 2007, both the Single Programming Document and the Programme Complement were amended once. The annual meeting of Austria Objectives 1 and 2 2000-2006 was held in St. Pölten in November 2007. The state of play of all Structural Funds programmes for Objectives 1 and 2 was presented. The meeting also discussed certain aspects (management and control systems, ERDF monitoring system, communication plans, evaluation 2007-2013) of the new programming period 2007-2013. The 2006 annual implementation reports for all Funds and priorities concerned were formally submitted to the Commission in June 2007 and approved in August 2007.

In 2007, no commitment of ERDF appropriations was made for this programme, as the entire amount of EUR 181.5 million had already been committed between 2000 and 2006. However, the Commission reimbursed certified expenditures of EUR 20.8 million to the paying authority, which amounts to 11.5% of the total ERDF contribution for the entire programming period, whereas total payments by the Commission between 2000 and 2007 amount to EUR 150.6 million or 83% of the total ERDF contribution.

In 2007, EAGGF-Guidance Section payments made by the Commission for the Objective 1 priority for Burgenland amounted to EUR 4.855 million. 62.13% of the amount committed for 2006 was spent and at the end of 2007 the cumulative EAGGF contribution for the period 2000-2006 had reached 94.20% of total commitments.

No commitments of ESF funds were made, as the total ESF amount of EUR 57.4 million was already committed up to 2006. EUR 3.7 million was paid in 2007. In the period 2000-2006, a total of EUR 57.4 million was committed and EUR 48.5 million was paid by the Commission (i.e. 84.4% of the total ESF contribution). After the seventh monitoring committee meeting, which was held in June 2006, no further monitoring committee meetings for the period 2000-2006 took place in 2007. All decisions were taken by written procedure.

For the FIFG, no payments were made to Burgenland as an Objective 1 region in 2007, as the remaining programme cover has been transferred to other Funds decommitted after 31 December 2004.

18.2. Objective 2

The following eight Austrian regions are Objective 2 regions: Upper Austria, Lower Austria, Styria, Carinthia, Salzburg, Tyrol, Vorarlberg and Vienna. In 2007, no commitments of ERDF appropriations were made to these programmes because an amount of EUR 704.9 million had already been committed between 2001 and 2007. However, the Commission reimbursed certified expenditure of EUR 99.4 million to the paying authority, which is 14% of the total

ERDF contribution for the entire programming period. Total payments by the Commission between 2000 and 2007 amount to EUR 605.6 million or 86% of the total ERDF contribution.

As far as the three programmes containing an ESF component (Carinthia, Styria and Vienna) are concerned, no commitments were made in 2007, as the total ESF amount of EUR 27.5 million was already committed up to 2006. EUR 3.7 million was paid in 2007. In the period 2000-2006, a total of EUR 27.5 million was committed and EUR 24.4 million was paid (i.e. 88.7% of the total ESF contribution).

In 2007, six Single Programming Documents were amended. Moreover, eleven versions of programme complements were accepted.

As for Objective 1, there were no monitoring committee meetings in 2007 for the period 2000-2006, and all decisions were by written procedures. The 2006 annual implementation reports for the programmes were formally submitted to the Commission in June 2007 and approved in August 2007.

In November 2007, the annual meeting was held in St. Pölten, Lower Austria, for all Objective 2 and Objective 1 programmes. At this meeting the state of play of all Structural Funds programmes was presented and discussed (cf. above under Objective 1).

Regarding “n+2”, an amount of EUR 1.2 million has to be decommitted for the SPD 2 Vienna (ERDF).

18.3. Objective 3

In 2007, no commitment for the ESF programme was made, as the total ESF amount of EUR 571.97 million was already committed up to 2006. EUR 11.9 million was paid in 2007. In the period 2000-2006, a total of EUR 571.97 was committed and EUR 543.37 million paid (i.e. 95% of total ESF contribution).

A monitoring committee meeting was held in June 2007. The Annual Report 2006 and the state of implementation were discussed. The audit follow-up to a previous EMPL audit at the BMSK (Ministry for Social Affairs) was a further important issue. The 2000-2006 monitoring committee was dissolved and its tasks transferred to the 2007-2013 monitoring committee.

18.4. Fisheries outside Objective 1

Within the Fisheries Operational Programme for Austria outside Objective 1, two priority axes are being co-financed by the FIG, “Aquatic resources, aquaculture, fishing ports, processing and marketing, inland fisheries” and “Other measures”. Their respective shares of the programmes are EUR 4 489 000 and EUR 11 000. Financial execution has reached 93.99% of the total (EUR 4 229 726 out of EUR 4 500 000). There is no risk of “n+2” decommitment in 2007.

18.5. Community Initiatives

18.5.1. Urban

There are two URBAN II programmes for Austria. The Vienna programme receives EUR 4.2 million and the Graz programme EUR 4.3 million from the ERDF. The total budget for Vienna is EUR 13.9 million and for Graz EUR 20.7 million. For both programmes, annual reports were received each year, found to be satisfactory and adopted.

The managing authority for both programmes is the city. The programmes coordinate their monitoring committees and both are represented in the monitoring committee of the other programme. They meet in autumn each year.

Both programmes have consistently met the “n+2” targets.

Overall comments concerning the 2000-2006 period

The programmes have contributed to the economic regeneration of inner-city areas, where old industrial sites have been provided with new infrastructure, facilities and access links, thus creating the basic conditions for a new cycle of post-industrial economic activity, particularly in the area of technological innovation.

18.5.2. Equal

The Austrian programme proceeded without difficulties in 2007. In financial terms, EUR 89 million had been paid from the ESF by the end of 2007, out of a total of EUR 103.8 million – a ratio of 86%. Automatic decommitment under the “n+2” rule was avoided for 2007.

No audits were performed by the European Court of Auditors in 2007. A final monitoring committee meeting was held on 26 November 2007, as Austria had decided to close down EQUAL a year earlier than the other Member States. No Annual Meeting was held in 2007. No amendments were made to the programme in 2007.

18.5.3. Leader

The Leader+ programme for Austria was approved by Decision C(2001)820 of 26 March 2001, as last amended by Decision C(2006) 4830 of 6 December 2006. Total expenditure under the programme was EUR 164.30 million in the period 2001-2006. This includes an EU contribution of EUR 76.80 million and a contribution of EUR 59 million from the private sector (these figures already include indexation amounts).

The Austrian Leader+ programme covers 8 regions of Austria, with the exception of urban Vienna.

The amount paid from the EAGGF-Guidance Section for the Leader+ programme was EUR 21.837 million in 2007, bringing total payments to EUR 64.766 million, i.e. 84.29% of the amount for the period 2001-2006. 79.87% of the EAGGF-Guidance funds for 2006 is still to be consumed.

18.6. Closure of the 1994-1999 programming period

As regards the ERDF contribution to the Austrian 1995-1999 programmes, all the Objective 2, Objective 5b and Community initiatives (except one INTERREG programme) were closed before 2006. The final decision for the INTERREG programme, based on the Article 24 procedure, is still pending.

All ESF programmes are closed.

19. POLAND

2007-2013 programming period

The final version of the NSRF for the 2007-2013 period was adopted by the government on 29 November 2006 and submitted to the Commission on 7 December 2006. The first OPs were also submitted before the end of 2006: the Innovative Economy OP, the Human Capital OP, the Technical Assistance OP and the Infrastructure and Environment OP. The sixteen Regional Operational Programmes were submitted by March 2007. The subsequent intensive negotiations included in total 64 official and 30 thematic and working meetings. This exercise was particularly challenging, as the Polish regions were participating for the first time in negotiations as future managing authorities for regional OPs.

The NSRF was adopted in less than 3 months of effective assessment by the Commission (adopted on 5 May 2007 in the group of the first ten Member States). All 21 OPs were adopted by the end of 2007. 18 OPs were adopted within 5 months of effective assessment.

For two OPs (Swietokrzyskie ROP and Infrastructure and Environment OP) additional negotiations were necessary due to differences of opinions between the Commission and Poland.

To measure the impact of Cohesion Policy, the NSRF has set several targets for its development strategy:

- the GDP level per capita (in PPS) should reach 65% of the EU-25 average (compared to 51.1% in 2006);
- 3.5 million jobs should be created with structural and cohesion funds support;
- by 2013 the employment rate should be 60% (compared to 52.8% in 2005), and 35% for people aged 55-64 (in 2013);
- the long-term unemployment rate should drop to 3% (from 7.8% in 2006);
- the percentage share of the adult population (people aged 25-64) participating in education and training should increase to 10% (in comparison to 5.2% in 2005);
- for the business sector, productivity per employee should reach 75% of the EU average (compared to 59% in 2005);
- R&D expenditure should peak to 1.5% (compared to 0.57% in 2005);
- the length of motorways should triple from 554 km to 1 754 km and railways from 538 km to 1 786 km; and
- the renewable energy share in electricity should rise to 8.5% (compared to 2.9% in 2005)

The Commission promoted an objective-based approach to OPs by using quantified targets. The outcome was a table with strategic indicators (core and additional ones), which was agreed between the EC and the Polish authorities. These indicators are included in all the relevant priority axes and OPs. This exercise provides for better strategies and greater consistency between the programmes and makes for direct comparison between programmes and aggregated data. A matrix of specific objectives and measurable targets at programme and priority levels was defined for the Human Capital OP.

Additional to the ROPs, the EC also asked the managing authorities to introduce a GDP target. This target was to reflect the expected GDP level in Purchasing Power Standard in comparison to the EU-27 and increase the “visibility” of the EU contribution in the region.

2000-2006 programming period

19.1. Objective 1

2007 was the second year where the “n+2” rule was applicable to Poland. However, this time it was a real hurdle as the advance payment no longer counted. Thanks to concerted efforts by the Commission and the Polish authorities, all the “mainstream” programmes avoided decommitment of funds. The Integrated Regional OP was the most advanced OP in terms of financial execution of the ERDF. Financial execution of the ESF Priority under the Integrated Regional OP was more challenging, but finally at the end of 2007 the risk of “n+2” was averted. Execution of the ESF under the Sectoral Operational Programme “Human Resources Development” showed very good results, reaching a level of reimbursement of 78% at the end of 2007. The Sectoral Programme for Transport and the Sectoral Programme “Increase of Competitiveness of Enterprises” substantially accelerated their financial execution and exceeded the “n+2” thresholds with ease. In terms of budget implementation of all Operational Programmes together, all commitments for 2004-2006 (EUR 4.972 billion for ERDF and EUR 1.908 billion for ESF) had been made by the end of 2006 — and thus there were no new commitments in 2007. As far as payments are concerned, EUR 1.476 billion from the ERDF was paid in 2007 (2004-2007: EUR 3.369 billion including advances) and EUR 758.8 million (2004-2007: EUR 1.4 billion including advances) from the ESF. Total payments for the EAGGF in 2007 amounted to EUR 346.4 million (2004-2007: EUR 895.1 million). No amounts from the FIFG funds were paid out in 2007 (2004-2006: EUR 201.5 million). Although there was no need for FIFG decommitment under the “n+2” rule, total payments amount to only 45% of the total FIFG allocation. Total payments for all Structural Funds up to the end of 2007 were EUR 5.75 billion (including advances).

The Polish authorities use a developed version of the HERMIN model to assess the impact of Cohesion Policy on the Polish economy, and estimate that in 2007 the Structural Funds will have contributed to additional GDP growth in the range of 0.57%-1.71%, and created up to 316 000 new jobs. This shows that, for a country like Poland, a massive inflow of EU funding will bring visible results for the Polish economy, even if the supply-side effects are not yet fully taken into account.

Throughout 2007, the Polish authorities continued to fine-tune the implementation system, following the finalised national action plan on the simplification of procedures. The National Development Law was amended, and rules for financial management improved (handling of advances, co-financing). The Ministry for Regional Development fully developed its capacity as the main coordinator of Cohesion Policy issues in Poland, in cooperation with regional authorities and national line ministries.

The Commission participated in the CSF and the OP monitoring committees. Items discussed included approval of the periodical (including annual) reports and amendments (including financial) to the programme complement of the respective operational programmes.

The annual review meeting was held in Poland on 22-23 October 2007 as a joint meeting for all OPs and Funds. Additional annual meetings for ESF programmes (SOP Human Resources Development and Integrated Regional OP) were held in Brussels in advance of a mega Community Support Framework annual meeting. The meetings focused on the qualitative assessment of the implementation of programmes so far and on practical measures for improving performance in the near future. The main issues discussed were, for example, the contribution of operations to the Lisbon Strategy, implementation of the human resources development strategy, implementation of transport strategy, measures to boost R&D expenditure, and the territorial impact of funds on inter-regional differences, including the prosperity of rural areas. The Polish authorities presented the outcomes of the evaluations of the Structural Funds, which showed impressive results in relation to the macro-economic impact of the funds. Unfortunately, progress on R&D and the information society in this shortened programming period was rather limited due to the complexity of the projects. In negotiations on the new 2007-2013 programming period, therefore, more emphasis was put on achieving objectives geared to the Lisbon agenda (64% of Lisbon-earmarked expenditure). Other aspects discussed during the annual meeting were problems with compliance with EU policies (for example, public procurement, environment), informatics system, and boosting the administrative capacity (programme management, coordination, project selection).

One of the issues to which the attention of the Commission was drawn was a new legal set-up for the next period, i.e. the Development Policy Law was amended by the Polish authorities in order to fully comply with EU regulations regarding the set-up of managing authorities, terminology and project selection. Other national legislation of relevance to Cohesion Policy will need to be further amended in order to be brought in line with EU directives (i.e. public procurement, environment). A stable legal environment in compliance with EU legislation needs to be guaranteed in order to give certainty to the beneficiaries regarding the implementation of their projects.

19.2. Community Initiatives

19.2.1. Equal

The Polish programme proceeded without difficulties in 2007. At the end of 2007, the rate of financial execution (including advance payments) of the ESF was

approximately 64.3% of the total. Automatic decommitment under the “n+2” rule was avoided for 2007.

There were two monitoring committee meetings held in 2007, one of which the Commission attended. Items discussed included approval of the periodic (including annual) reports and amendments (including financial) to the programme complement.

An amendment of the programme entered into force in 2007.

19.2.2. Leader

As with other recently acceded Member States, a Leader+ type measure is mainstreamed in the EAGGF Objective 1 programme “Restructuring and modernisation of the agri-food sector and rural development”.

20. PORTUGAL

2000-2006 programming period

20.1. Objective 1

For operations in Portugal, 2007 was a challenging year with a number of reprogramming exercises designed to maximise efforts to absorb the resources allocated for the period 2000-2006 and to optimise the ability to comply with the “n+2” rule, in tandem with negotiations for the new programming period 2007-2013.

The 2006 annual reports for the Operational Programmes (OPs) and for the Community Support Framework III (CSF III) were submitted and accepted by the Commission. Occasionally, approval of the annual reports was accompanied by observations or additional information requested from the Commission.

Unlike in previous years, a horizontal annual meeting between the Commission and the managing authorities for CSF III assistance in 2007 was not considered necessary, primarily because most of the effort was devoted to preparing the new programming period. Nevertheless, annual meetings were organised in 2007, but only in the case of four operational programmes (Accessibility and Transport, Economy, Alentejo and Norte), where it was deemed necessary. These four meetings were postponed to the first quarter of 2008 due to pressure of work at the end of 2007. The main items on the agenda at the annual meetings of these OPs were financial and physical execution and ability to comply with the “n+2” rule, analysis and quantification of indicators, follow-up of the recommendations of the audits and ongoing action plans to improve control systems, prospects for closure and a number of outstanding issues specific to each programme. An annual review meeting of OPs mainly co-financed by the ESF took place in early 2008 regarding implementation in 2007 and the 2006 annual report on the two biggest ESF-funded programmes (POEFDS and PRODEP). This meeting focused on the main challenges regarding implementation, the prospects for closure and also the transition towards the 2007-2013 ESF OP (Human Potential OP). On 31 December 2007, these OPs presented high execution rates and both are scheduled to reach 100% execution for closure. The main challenge remains the high error rate in POEFDS.

As there was no material for discussion or information, the annual horizontal level monitoring committee meeting for CSF III did not take place in 2007.

As usual, the majority of Portuguese OPs held their first series of monitoring committee meetings in the first half of 2007. The second round of monitoring committee meetings were considered not to be necessary for the same reasons as mentioned above. In many cases, written procedures were applied to approve the annual reports and to deal with the reprogramming exercises.

As regards reprogramming, 2007 was a year of further adjustments to certain programmes or programme complements.

General implementation of the CSF in Portugal continued at a satisfactory pace with the vast majority of payments concentrated at the end of the year. In 2007,

total payment claims for the CSF III transmitted to the Commission amounted to 63% of the payment claims forecast by the national authorities in April 2007. In nominal terms, this means that EUR 1 651 million was implemented compared to the forecast EUR 2 565 million. At Fund level for 2007, the ERDF reached 57% of forecast expenditure, which means that it spent EUR 1 021 million during 2007. The relatively low level of ERDF spending is due in part to implementation of the Action Plan on public procurement, which led the Portuguese Authorities to withdraw a considerable amount of irregular expenditure. ESF payments in 2007 reached 58% of the total forecast for the year, which amounts to spending of around EUR 380 million. For the same year, the EAGGF-Guidance Section reached 76.5% of forecast expenditure, i.e. EUR 248.5 million. FIFG payments compared to the forecast reached 53% in 2007, i.e. EUR 18 million.

No decommitment amending decisions were needed in 2007 for the ERDF in application of the “n+2” rule at the end of 2006. However, two ERDF programmes (Agriculture and Rural Development and Information Society) did not reach the threshold of the “n+2” rule at the end of 2007, and thus the automatic decommitment procedures have been initiated.

As regards the EAGGF-Guidance Section, two decommitment amending decisions were necessary in 2007, following application of the “n+2” rule at the end of 2006 for the OPs Algarve and Centro. At the end of 2007, five OPs (Agriculture and Rural Development, Algarve, Alentejo, Centro and Norte) did not reach the “n+2” threshold as regards the EAGGF and the automatic decommitment procedures were initiated.

In 2007, three new major project decisions were adopted by the Commission, which all relate to renewable wind energy generation projects.

20.2. Community Initiatives

20.2.1. Equal

The PT EQUAL programme enjoyed efficient implementation throughout 2007. A new Decision was adopted [C(2007) 1261, of 14 March 2007] to transfer of funds between priorities. The managing authority organised a monitoring committee meeting on 18 June 2007 in Lisbon, to approve the annual rapport of the preceding year, and presented the CAIM project (in the field of human trafficking). Interim payments amounted to EUR 99.14 million by the end of 2007, i.e. 86% of the overall budget.

20.2.2. Leader

Portugal has a single national Leader+ Programme. The total cost of this programme for the period 2001-2006 is set at EUR 272.625 million. This includes a contribution from the EAGGF-Guidance Section of EUR 164.454 million. At the end of 2007, payments amounted to EUR 137.889 million, i.e. 84% of the planned EAGGF-Guidance amount for the whole programming period. In 2007, EAGGF payments reached 108% of forecast expenditure for that year, meaning that EUR 30.392 million was spent. This programme reached the “n+2” target for 2007.

20.2.3. *Urban*

There are three URBAN II programmes in Portugal: Amadora (Damaia-Buraca), Lisboa (Vale de Alcântara) and Porto-Gondomar. Amadora receives EUR 3.7 million, Lisboa EUR 5.7 million and Porto-Gondomar EUR 10.1 million from the ERDF. The total budget for Amadora is EUR 10.6 million, Lisboa EUR 10.3 million and Porto-Gondomar EUR 14.5 million. Draft annual reports have been received each year for all three programmes, amended in the light of comments from the European Commission and adopted.

The managing authorities for the programmes are at regional level in the Regional Coordination and Development Commissions. In the cases of Amadora and Lisboa, this is the Lisboa and Vale do Tejo Region and, in the case of Porto-Gondomar, it is the Norte Region. The monitoring committees met once or twice each year.

All three programmes reached the “n+2” targets for 2007

Overall, the programmes have tackled serious socio-economic problems in inner-city areas and contributed to the renovation of local infrastructure, training, community mediation programmes and the treatment of drug dependency.

20.3. Closure of 1994-1999 programming period

As regards the closure of 1994-1999 programming period for the CSF II, the last three ERDF programmes open were finally closed in 2007, but there are still audit procedures ongoing that can result in financial corrections for several programmes. The last seven programmes open regarding the EAGGF-Guidance Section were also closed in 2007 and the final decommitment will be made after adoption of the Decision on financial corrections. However, ongoing audit procedures may result in financial corrections for several programmes.

21. SLOVAKIA

2007-2013 programming period

As regards the period 2007-2013, negotiations on the National Strategic Reference Framework started in October 2005. The first official text was submitted in December 2006, and the Commission adopted the decision on the NSRF on 17 August 2007. The NSRF approved eleven operational programmes (ERDF, ESF, CF), thus providing for a budget of EUR 11.36 billion for Slovakia. The main discussions focused on achieving balanced regional allocations and involvement of the regions in national programmes and on the inclusion of Roma issues and energy efficiency as cross-cutting priorities. There was a significant increase in the share of R&D and information society measures compared with the previous period.

In the new programming period, Slovakia has eight ERDF OPs under the Convergence objective, with an ERDF budget of EUR 7 billion. The *Research and Development OP* is a multi-objective OP, while the *Transport and Environment OPs* also include Cohesion Fund financing (EUR 3.9 billion). All OPs were officially submitted in February/March 2007. Four operational programmes were adopted by the Commission in September 2007 and the remaining four in November 2007. Two OPs (*Regional OP and Environment OP*) had their first monitoring committee meetings in December 2007, where rules of procedure and selection criteria for projects were discussed.

In the new programming period, Slovakia has two multi-objective ESF OPs, with a total allocation of EUR 1.5 billion, namely the OP Employment and Social Inclusion with an allocation of EUR 882 million and the OP Education with an allocation of EUR 618 million. The OPs have budgets of EUR 35.6 million under the Competitiveness Objective and EUR 1.46 billion under the Convergence Objective. Both OPs were officially submitted in March 2007 and adopted in October/November 2007. Both OPs had their first monitoring committee meetings in November 2007, where rules of procedure and selection criteria for projects were discussed.

In the programming period 2007-2013, there is one ERDF OP that falls under the Regional Competitiveness and Employment Objective, namely Bratislava, with an allocation of EUR 87 million. The OP was submitted in March and adopted in December 2007. There is also a multi-objective operational programme, namely the *Research and Development OP*, with an allocation of EUR 326 million, for Bratislava.

2000-2006 programming period

Slovakia received a total EU contribution of over EUR 1 145 million for the programming period (2004 to 2006) under the CSF (i.e. funding from the ERDF, ESF, EAGGF and FIFG). This is split into three mono-fund operational programmes and one operational programme funded from the EAGGF and the FIFG, as described below. There are also Objective 2 and Objective 3 single programming documents for the Bratislava Region.

Eight meetings of the CSF monitoring committee were held in total (two meetings in 2007) to address horizontal issues in implementation of the Structural Funds in Slovakia. The discussion focused on horizontal themes - coordination, administrative capacities and use of technical assistance, Roma issues, evaluation, simplification of procedures and regional aspects in thematic OPs. The CSF annual report for 2006 was submitted in June 2007 and evaluated.

21.1. Objective 1

Two monitoring committee meetings on the *Basic Infrastructure OP* took place in 2007 (eight in the period 2004-2006). The 2006 annual implementation report was formally submitted to the Commission in June 2007 and approved. The full amount of EUR 422.3 million (ERDF) had already been committed in the previous period. EUR 140.5 million was paid in 2007 and another EUR 44.1 million requested (paid in 2008). In total, EUR 272.7 million had been paid out up to the end of 2007 and, with the request submitted in December for EUR 44.1 million, this comes to 75% of overall commitments. The OP has met the “n+2” rule so far. The OP was amended in May 2007 and one amendment of the programme complement was approved with reallocation of money within the programme. Approximately 1 100 projects have been financed under the OP, including large environmental, road and railway projects, schools, social infrastructure, information technologies and village renewals.

The *Industry and Services OP* held two monitoring committee meetings to evaluate progress. The 2006 annual implementation report was formally submitted to the Commission in June 2007 and approved. The full amount of EUR 151.2 million (ERDF) had already been committed in the previous period. EUR 49.1 million was paid in 2007 and another EUR 19.6 million requested (paid in 2008). In total, EUR 88.8 million had been paid out up to the end of 2007 and, with the request submitted in December of EUR 19.6 million, this comes to 71.7% of overall commitments. Approximately 400 projects have been financed under the OP, including investments in private companies and public infrastructure to support innovation, business incubators, industrial parks, research and development, energy efficiency and tourism.

The Agriculture and Rural Development OP had two meetings of its monitoring committee, one in March and one in November 2007. The 2006 annual implementation report was submitted to the Commission in May and subsequently approved. Implementation of the programme progressed in a satisfactory manner, the most popular measure being investment in agricultural holdings (53% of funds). 72% of allocated funds had been utilised by the end of 2007. No proposals for programme amendments were submitted in 2007. Three interim payment requests amounting to a total of EUR 54 172 910 were submitted to DG AGRI in 2007. This amounts to 30% of this OP's total EAGGF-Guidance Section allocation for 2004-2006.

The ESF Human Resources OP held two monitoring committee meetings in 2007. The Annual Implementation Report for 2006 was formally delivered in June 2007 and approved by the Commission. The annual meeting took place in February 2008. The Paying Authority received EUR 76.5 million following the submission of two payment requests in 2007. Processing of the third payment request

(EUR 18.7 million) delivered in December 2007 has been interrupted; the process of notification under Article 39(2) of Council Regulation (EC) No 1260/1999 is currently under way. In total (advance and interim payments), EUR 197 million has been paid to the Paying Authority and, with the interrupted request submitted in December 2007, this comes to 76% of the total 2004-2006 ESF allocation. 100% of the total allocation was contracted in 2007. The OP has met the “n+2” rule so far. Financial resources were reallocated in June 2007 between measures of a single priority in order to react to implementation needs. Approximately 800 projects (national and demand-driven) have so far been financed under the OP, including projects for active labour market policy development, improving the qualification and adaptability of employees and job seekers, and increasing social inclusion and equal opportunities in the labour market.

Financial execution is 85% of the total FIFG contribution for the OP (EUR 1 565 million out of EUR 1 829 million). 99% of the funds for the fisheries measures has been contracted. There is no risk of “n+2” decommitment. Regular monitoring committee meetings are held, which review the situation regarding implementation of the OP Agriculture and Rural Development 2004-2006.

21.2. Objective 2

The monitoring committee for the SPD 2 programme Bratislava held two meetings. One amendment to the Commission Decision on the programme (December 2007) and two amendments to programme complements were approved in 2007. The 2006 annual implementation report was submitted to the Commission in June 2006 and was approved. The full amount of EUR 37 million (ERDF) had already been committed in the previous period. In 2007, EUR 0.13 million was decommitted in 2007, as the programme did not fully meet the “n+2” rule requirements. Following increased efforts by the managing authorities, implementation was improved in 2007 and the programme fulfilled the “n+2” targets in 2007. In total, EUR 21.1 million had been paid out up to the end of 2007, of which EUR 15 million in 2007. This amounts to 57% of overall commitments. More than 200 projects have been financed under the OP, including investments in private companies, public infrastructure in support of innovation and tourism.

21.3. Objective 3

The Single Programming Document Bratislava Objective 3 held two monitoring committee meetings in 2007. The Annual Implementation Report for 2006 was formally delivered in June 2007 and approved by the Commission. The annual meeting took place in February 2008. The Paying Authority received EUR 7.5 million in 2007 following one payment request from 2006 and two payment requests from 2007. Processing of the third payment request (EUR 6.5 million) delivered in December 2007 has been interrupted; the process of notification under Article 39(2) of Council Regulation (EC) No 1260/1999 is currently under way. In total (advance and interim payments), EUR 15.3 million has been paid to the Paying Authority and, with the interrupted request submitted in December 2007, this comes to 35% of the total 2004-2006 allocation. As the programming document did not comply with the “n+2” rule at the end of 2006 and EUR 1.25 million had to be decommitted, an amending Commission Decision reflecting the decommitment was adopted on 4 October 2007. The programming document did not comply with

the “n+2” in 2007 either, and therefore EUR 6.5 million will have to be decommitted (i.e. 44% of the 2005 allocation and 15% of the total 2004-06 ESF allocation). Financial resources were reallocated in June 2007 between measures of a single priority in order to react to implementation needs. Projects financed include demand-driven and national projects for active labour market policy development, lifelong learning development and support for R&D.

21.4. Community Initiatives

21.4.1. Equal

The *Community Initiative EQUAL* held two monitoring committee meetings in 2007. The Annual Implementation Report for 2006 was formally delivered in July 2007 and approved by the Commission. The annual meeting did not take place. The Paying Authority received EUR 7.4 million following submission of three requests for payment in 2007. Processing of the fourth payment request (EUR 2.8 million) delivered in December 2007 has been interrupted; the process of notification under Article 39(2) of Council Regulation (EC) No 1260/1999 is currently under way. Automatic decommitment under the “n+2” rule was avoided both for 2006 and for 2005. In total (advance and interim payments), EUR 11.1 million has been paid to the Paying Authority and, with the interrupted request submitted in December 2007, this comes to 62% of the total 2004-2006 ESF allocation.

22. SLOVENIA

2007-2013 programming period

An intense phase of pre-negotiation between the national authorities and the Commission started back in October 2005 when the two parties held a first meeting on macro-economic issues at which the main areas of possible Cohesion policy assistance were identified and analysed. Slovenia officially submitted the National Strategic Reference Programme (NSRF) and the three Operational Programmes in February 2007. The NSRF decision was adopted on 18 June 2007 whereas the Cohesion Policy Operational Programmes “Strengthening Regional Development Potentials (ERDF)” and “Development of Environment and Transport Infrastructure (ERDF/CF)” were adopted on 27 August 2007. The “Human Resources Development (ESF)” OP was adopted on 21 November 2007. The first monitoring committee meetings took place in December 2007 and focused mainly on preparing selection criteria and a proposal for a communication plan.

The general objectives of the NSRF are to improve the welfare of Slovenian citizens by promoting economic growth, facilitating job creation, strengthening human capital and ensuring balanced and harmonious development, in particular at the regional level.

Overall, the negotiations of the 2007-2013 programming period were based on a strong partnership and can be described as both open and constructive. The Commission and the Slovene authorities succeeded in developing strategic and thematic priorities with a clear focus on Lisbon objectives. Hence, the majority of the total allocation of EUR 4 205 million (current prices) for Structural and Cohesion Funds for Slovenia in the programming period 2007-2013 will be used to promote entrepreneurship, innovation and technological development, to improve the quality of the educational system, training and R&D activities, to increase labour market flexibility and to guarantee employment security. For the programming period 2007-2013, 65% of National Strategic Reference Framework resources are earmarked for the renewed Lisbon priorities.

The “Strengthening Regional Development Potentials” Operational Programme (OP SRDP) specifically aims to enhance competitiveness, foster entrepreneurship, innovation and technology development, and facilitate job creation, including in the tourism sector, while taking into account environmental and social concerns.

As for sector-specific infrastructure investments, the “Development of Environment and Transport infrastructure” Operational Programme (OP DETI) aims to create the conditions for growth by providing sustainable mobility, improving the quality of the environment and constructing suitable and sustainable infrastructure. In particular, the programme will help to attain one of the core objectives defined in the NSRF, namely ensuring a balanced regional development throughout the entire country. Concrete activities of the OP include, for instance, the construction/modernisation of 428 km of railways (TEN-T), the reconstruction/modernisation of 215 km of roads (65 km of which on TEN-T), an increase in the population share served by adequate water supply to 96%, the connection of an additional 700 000 people to public

sewerage and the provision of additional renewable energy capacity, thus reducing energy the intensity and emission of CO₂ and other air pollutants.

The “Human Resource Development” Operational Programme (ESF) aims to boost human capital towards greater innovation capacity and employability and contribute to improved labour market flexibility while guaranteeing employment security, in particular through job creation, and promoting social inclusion. Particular emphasis is also given to improvement institutional and administrative capacity to help accelerate economic growth in Slovenia. Among other objectives the programme estimates that 270 000 participants will benefit from different ESF co-financed activities. It aims to increase adult participation in lifelong learning from 15.3% to 20.7%, the share of researchers in the business sector from 41% to 50% and the employment rate of young people from 35.3% to 38% and of older workers from 33.5% to 43.5%.

2000-2006 programming period

22.1. Objective 1

Slovenia is considered to be a single Objective 1 region for the period 2004-2006. From the very beginning, Slovenia intended to use the EU Structural assistance of EUR 237.5 million to achieve further convergence with the EU in terms of economic and social development and to mitigate internal imbalances within the country. The Single Programming Document (SPD) 2004-2006 forms the legal basis for the use of structural funds in Slovenia and, more importantly, defines Slovenia’s strategic objectives to be achieved in the framework of Cohesion Policy. The total planned public expenditure for the SPD amounts to EUR 334.5 million. The total financial contribution from the four structural funds (ERDF, ESF, EAGGF, FIFG) for the 2004-2006 period amounts to EUR 237.5 million, of which 57.5% is covered by the ERDF, 31.8% by the ESF, 9.9% by the EAGGF and 0.8% by the FIFG.

The strategic focus of the SPD is on the following themes:

- competitiveness of the productive sector
- development of human resources and employment (creation of new jobs and securing existing jobs)
- restructuring of the agricultural sector, forestry and fisheries
- improvement of competitiveness in the different regions and areas as well as balanced regional development.

Implementation of the SPD continued at a satisfactory pace in 2007 for the majority of the funds. In particular, the absorption of ERDF funds increased steadily. Payments authorised by the Commission up to the end of 2007 amounted to 86% of the total ERDF contribution to the programme, an increase of 23% over the previous year. For the other funds, absorption was somewhat slower in the first half of the year but picked up noticeably towards the end. The cumulative amount of payments actually paid out by the end of 2007 (including advance payments) for all four funds amounted to around EUR 173 million, which corresponds to approximately 73% of the total Structural Funds contribution for the SPD. No cases of automatic

decommitment under the “n+2” rule for the ERDF, ESF, EAGGF or FIFG arose at the end of 2007.

As regards financial execution of the EAGGF-Guidance Section, payments made by the Commission for Slovenia’s Objective 1 programme in 2007 amounted to EUR 7.836 million. In 2007, 74.79% of the amount committed for the year 2006 was spent and at the end of 2007 cumulative EAGGF-Guidance payments for the period 2004-2006 reached 89.10% of total programme commitments.

Monitoring committee meetings

The SPD monitoring committee meeting took place in Slovenia in June 2007 and provided the opportunity to review project implementation of the programme, financial management and the main outcomes achieved during 2006. During the meeting, representatives of the managing authority and the line ministries made detailed presentations of the progress of implementation for each priority and the specific measures. This included presentations of several co-financed projects to illustrate what had been achieved with the support of the Structural Funds on the ground. Overall, the committee members considered the implementation of the SPD to be successful. In particular, it was noted that the selection procedures and execution of projects had improved in comparison to previous years. The managing authority reported that, notably for the ERDF, more than 100% of the available Structural Funds allocation had been tendered and allocated by mid-2007. In terms of results, it was highlighted, for instance, that almost 6000 SMEs have been supported through SPD assistance, 21 business zones have been established and around 400 investments on farms have been carried out.

The monitoring committee approved the 2006 Annual Implementation Report and agreed to the proposed changes of the SPD Programme Complement concerning measure 1.3. “Improving the support environment for entrepreneurship” and measure 2.3 “Lifelong learning”.

On the day before the meeting, the members of the Committee had the opportunity to visit a selection of Community-funded projects (ERDF, ESF, EAGGF) as part of the work agenda for the monitoring committee. This allowed them to obtain first-hand impressions of the programme’s outcomes as well as to discuss project implementation and possible problems with the final beneficiaries.

Annual Reports and annual meeting

As in previous years, the Annual Implementation Report for 2006 was received in good time and was accepted by the Commission with certain comments and recommendations for improvement.

The SPD annual meeting was held in Ljubljana in December 2007. The meeting considered all aspects of implementation, with special reference to audit activities that had been carried out by the Commission. The ESF audits revealed major weaknesses in monitoring and controls system. Consequently, in the summer the managing authority submitted an Action plan to the Commission and proposed a 10% financial correction. The Commission accepted the Action plan and the correction. Due implementation of the action plan was confirmed by a follow-up audit in November. The Annual meeting also stressed the need for further

improvements to the monitoring systems in order to obtain a meaningful analysis of quantitative and qualitative results and indicators. It was also noted that financial reallocation among ESF measures will be necessary and that ESF expenditure had to be accelerated during 2008.

Amendments

At the request of the national authorities and following approval by the monitoring committee, the SPD Programme Complement was amended once during 2007. The amendment did not entail any changes to the financial plan.

The use of technical assistance

The SPD operational technical assistance programme includes a specific priority designed to ensure the right conditions for effective implementation of the development strategy, and to facilitate the implementation, management, follow-up, control and evaluation of the programme. This priority is co-financed both by the ERDF and the ESF.

Fisheries

The total FIFG allocation committed to the measures “Modernisation of existing vessels and small-scale coastal fisheries” and “Aquaculture, Processing and Marketing” within the SPD for structural assistance in Slovenia under Objective 1 (2004-2006) amounts to EUR 1 781 040, of which an amount of EUR 1 434 752.47 was certified before the end of 2007. Legally binding commitments were reported to have covered the whole FIFG allocation. The payment limit of 95% was not yet reached (35.81%); payments to the Member State amounted to EUR 637 799.7.

22.2. Community Initiatives

22.2.1. Equal

The Slovenian EQUAL programme proceeded with some difficulties and, at the end of 2007, the rate of financial execution of the ESF part of the programme remained low, at only 46.33%, or EUR 2.86 million (including PoA). Due to low financial execution by the end of 2006 and the “n+2” rule, automatic decommitment of the 2004 budget was carried out in the sum of EUR 0.276 million in 2007.

The audit of the system carried out by the BSO (Budget Supervising Office) in 2006 found out that management and control systems for CIP EQUAL were deficient in certain parts and therefore recommendations for rectification of the deficiencies were issued. An audit on the observance of these recommendations performed by the BSO in spring 2007 and again at the end of 2007 found out that the progress has been made in respect of the majority of the recommendations issued. It also noted significant turnover of managing authority staff.

In 2007, the BSO carried out an audit of eligible expenditure for the SPD. The BSO selected the company Deloitte to perform the audit of eligible expenditure. These reports have not yet been sent to the Commission. No other EQUAL audits have been carried out in Slovenia so far.

The managing authority held two monitoring committee meetings, one in June and one in December. An Evaluation Steering Group held two meetings, one in January and one in June. A Workshop on final reports for the development partnerships was held in September 2007, while the final EQUAL conference and the second national thematic network meeting took place on 23 October 2007.

No amendments were made to the programme.

23. FINLAND

2007-2013 programming period

The five regional ERDF programmes (Eastern, Northern, Western and Southern Finland and Åland Islands) and the two ESF programmes (Mainland Finland and the Åland Islands) were adopted by the Commission in autumn 2007. The first commitments and advance payments were executed for all seven programmes before the end of 2007. The main strategic priorities of the programmes are the promotion of business activity, innovation activity and networking, consolidating knowledge structures, and improving regional accessibility and operational environments.

The 2007-2013 ERDF programmes and the Mainland Finland ESF programme started implementation in the autumn of 2007. A kick-off event took place in October 2007 in Helsinki. Director-General Ahner from DG REGIO and Director Stub Jörgensen from DG EMPL participated. The first monitoring committee meetings for the Mainland Finland ERDF and ESF programmes took place at the end of year 2007 and for the Åland Islands programmes in January 2008. During the first monitoring committee meetings, the rules of procedure and the selection criteria for the programmes were adopted and the allocations of technical assistance were decided. The start of implementation of the programmes and communication activities was also discussed. No annual review meetings for the 2007-2013 programmes were organised in 2007.

2000-2006 programming period

For the 2000-2006 period, Finland was allocated EUR 2 120 billion (1999 prices) from the Structural Funds, of which approximately 60% ERDF, 26% ESF, 13.5% EAGGF and 0.5% FIFG. The funds were allocated to two Objective 1 programmes, three Objective 2 programmes, two Objective 3 programmes, one FIFG programme, nine IINTERREG programmes, one URBAN programme, one LEADER programme and one EQUAL Community Initiative programme.

For the 2007-2013 programming period, Finland was allocated EUR 1.596 billion under the Regional Competitiveness and Employment objective and EUR 120 million under the Cooperation objective, totalling EUR 1.7 billion. Of this amount, 64% is ERDF and 36% ESF funding. The Eastern and Northern Finland regions benefit from a special allocation from the ERDF, based on their very sparse populations, in the amount of EUR 35 per inhabitant per year, totalling EUR 359 million. The whole territory of Finland is eligible under the Regional Competitiveness and Employment objective, with Eastern Finland as a phasing-in region. The Finnish Structural Fund strategy for 2007-2013 is implemented through five regional ERDF programmes and two ESF programmes.

23.1. Objective 1

In 2007, the Northern and Eastern Finland Objective 1 programmes progressed as planned. At national level, EU funds were fully committed to projects and over 82% of EU funding was paid to final beneficiaries. At Commission level, 100% of the programme funds was committed by the end of 2007 and over 87% of

programme funds had been paid to Finland, including advance payments. No “n+2” decommitments have been made for any of the programmes.

The two programmes were amended in March 2007 for the last time following requests from the Member State submitted in December 2006. The amendments concerned the shifting of funds within priorities in order to ensure full use of programme funds towards the end of the programming period. Both programme complements were adapted twice during 2007.

No monitoring committee meetings were organised for the two programmes in 2007. The 2006 annual reports were adopted by written procedure. The annual review meeting between the Commission and the Finnish Managing authority was organised in February 2008 and dealt mainly with the progress of programme implementation, closure preparations and management and audit issues, including an action plan proposed to Finland to improve the operation of their management and control system in respect of the 2000-2006 programming period.

The quantitative and horizontal objectives set for the programmes have been achieved. The programmes have helped to create nearly 40 000 jobs and 8 300 enterprises. Over 250 000 people have participated in ESF measures. In addition, the programmes have strengthened the role of regions, fostered regional identity and responsibility for local development, improved multi-annual strategic planning, and promoted partnership and cooperation between the different levels of public administration and other stakeholders. New methods and models have been created in the field of employment and education and training policies.

Fisheries

FIFG implementation in the Objective 1 programmes is progressing well. For the Northern programme, the commitment rate at the end of the year was 100%, while the 95% limit has been reached. The Objective 1 Eastern programme had a 100% commitment rate and 92% payment rate. No “n+2” rule-related decommitments were necessary for the FIFG.

23.2. Objective 2

In 2007, the three Finnish Objective 2 programmes for Southern Finland, Western Finland and the Åland Islands progressed as planned. At national level, over 100% of EU funds had been committed to projects and over 80% of EU funding had been paid to final beneficiaries in Southern and Western Finland, and, for the Åland Islands, the funds are virtually fully committed and payment levels close to 70%. At Commission level, 100% of the programme funds had been committed by the end of 2007 and over 88% of programme funds paid to the national authorities, including advance payments. The programmes had no “n+2” decommitments.

The Southern and Western Finland programmes have helped to create nearly 40 000 jobs and over 7 500 enterprises. Over 180 000 people have participated in ESF measures. The horizontal targets for equality, environmental sustainability and information society have been reached, apart from gender equality projects in Southern Finland, where only 50% of the target has been met. Due to very ambitious target setting, the target for creating new enterprises will only be partly met: 50% for Western Finland and 52% for Southern Finland.

The Mid-Term Evaluation updates concluded that the programmes have brought added value to the regions, improved the competitiveness in the area and helped to decentralise regional research and development. The Åland Islands Objective 2 programme has helped to create around 200 new jobs and 30 new enterprises.

The two mainland Finland programmes were amended in April 2007 for the last time following requests from Finland in December 2006. The amendments concerned the shifting of funds within priorities in order to ensure full use of programme funds towards the end of the programming period. The programme complements were then adapted in line with the programme amendments. The Åland programme complement was amended once in 2007.

No monitoring committee meetings were organised for the two mainland Objective 2 programmes in 2007. The 2006 annual reports were adopted by written procedure. For the Åland Islands, two monitoring committee meetings were organised in May and November 2007. The main items on the agenda were the progress of programme implementation, the 2006 annual report, preparations for closure and the preparations for the 2007-2013 period.

The annual review meeting for Mainland Finland programmes was organised in February 2008 in Brussels and dealt mainly with the progress of programme implementation, closure preparations and management and audit issues, including an action plan proposed to Finland to improve the operation of their 2000-2006 management and control system. The Åland Islands annual review was handled by written procedure in spring 2008.

At national level, ERDF funding by the end 2007 had been granted to 825 projects and 3.55% of ERDF funds had been committed to the value of EUR 34.6 million. Payments to projects had reached EUR 1.2 million. The programmes have helped to create 170 new enterprises and 2 700 new jobs. ESF funding had not been committed by the end of 2007.

23.3. Objective 3

ESF funding for Finland's Objective 3 SPD (including the Åland Islands) totals EUR 436.6 million. The programme has progressed well. By the end of 2007, commitments totalled 100% and payments 87.05% for the mainland and 84.86% for the Åland programme.

Altogether, 472 000 people had participated in the activities of the mainland Objective 3 programme by the end of 2006. The programme has helped to create more than 8.000 new enterprises and 18 000 new jobs. More than 27.000 jobs have been preserved.

Monitoring committee meetings and Annual meeting

Two joint monitoring committee meetings for the new and the old period took place in Helsinki on 24.5.2007 and 4.12.2007. The Annual Review meeting was held in Helsinki on 3.12.2007. The main issues discussed at the Annual Review meeting were implementation of the programme, the new programming period, and follow-up of the audit reports. A major change in the Finnish administration will take place

following the elections of 2007 and the new government Vanhanen II. The first step is the formation of a new Ministry of Employment and the Economy.

Amendments

Some minor programme amendments, with the aim of 100% financial implementation of all Structural Funds funding, were introduced and some amendments to the annexes were proposed, in line with administrative and legislative changes in the Ministry of Labour in 2006. The final Commission decision was adopted on 7.6.2007.

Implementation of the Åland Islands Objective 3 programme continues to progress very well. By the end of 2007, everything had been committed and the Commission had paid out 75% of the total budget. Altogether, 3 000 people had participated in projects of the Åland Islands Objective 3 programme by the end of 2007. Two monitoring committee meetings for Objectives 2 and 3 were held jointly during 2007. The Annual Review was dealt with by written procedure.

23.4. Fisheries outside Objective 1

The programme progressed better than in the previous year, although in the Åland islands progress was still slightly slower than in the rest of the country.

The overall commitment rate at the end of the year was 98%, while 87% of the FIFG financing was paid out.

23.5. Community Initiatives

23.5.1. Equal

The Finnish programme proceeded without difficulties in 2007. At the end of 2007, the rate of financial execution of the ESF part of the programme was 81% of the total. Automatic decommitment under the “n+2” rule was avoided for 2007. The managing authority organised one monitoring committee meeting and a closure seminar. Finland has decided to run down the EQUAL programme, in coordination with the other period 2000-2006 ESF programmes. No amendments were made to the programme.

23.5.2. Leader

In 2001, the Commission approved one Leader+ programme for Finland; 25 Local Action Groups (LAGs) were selected and are supported by a national network.

After six years of implementation of the programme, an amount of EUR 46.36 million (82.23%) has been paid, out of the EUR 56.38 million committed for 2001-2006. During the years of implementation, there were no automatic decommitments.

23.5.3. *Urban*

The Helsinki-Vantaa URBAN II programme is the only one in Finland. The ERDF will contribute a total of EUR 5.38 million to this programme, for which total eligible cost amounts to EUR 20.37 million. The managing authority for the programme is the City of Helsinki and the functional day-to-day management is delegated to URBAN Helsinki-Vantaa. The monitoring committee met once during 2006.

The “n+2” target was met in 2007.

Overall comments concerning the 2000-2006 period

The programme has increased the social capital in the area and the participation of citizens has become more evident. New networks have been established between authorities, citizens, homes and schools, making for a new approach, especially on social issues.

23.6. Closure of the 1994-1999 programming period

All Finnish Structural Fund programmes from the 1994-1999 programming period were closed before 2006.

24. SWEDEN

2007-2013 programming period

During the spring of 2007, several meetings were held with the Swedish authorities to negotiate and discuss the NSRF and the new Operational Programmes. The NSRF was accepted by Commission decision of 20 July 2007, and the eight ERDF Operational Programmes were finally approved between 9 and 16 August 2007. The ESF Operational Programme was approved on 25 September 2007.

2000-2006 programming period

General Objectives 1 and 2

There are two Swedish Objective 1 programmes, Norra Norrlandsregionen and Södra Skogslänsregionen, which together cover 65% of Sweden's land area but have a population of less than one million (11% of total population). The total support from the Structural Funds for the period 2000-2006 is EUR 780 million, of which the ERDF share is almost EUR 490 million or 63%, ESF EUR 164 million, EAGGF EUR 116 million and FIFG EUR 10 million. Including national public and private participation, the Structural Funds will generate assistance of EUR 2.1 billion.

There are four Objective 2 programmes: the North, West, South and the Islands programmes, with total Structural Funds support of EUR 440 million for the period 2000-2006 (ERDF EUR 385 million or 88%, ESF EUR 55 million or 12%). The programmes cover approximately 16% of the Swedish population. Including national public and private participation, the Structural Funds will generate assistance of EUR 1.5 billion.

In total, more than 16 000 projects have been started. For instance, a number of venture capital and mutual guarantee projects have been approved since 2005. These projects have gained a lot of attention and interest.

By the end of December 2007, the Swedish programmes (all funds) had created more than 110 000 new or preserved jobs and more than 21 000 new companies. Studies performed in 2005 on a couple of the programmes indicate that the majority of these jobs and companies are still there a year after the projects ended.

Annual Review meeting

The Annual Review meeting between the Commission and the Swedish authorities and the managing authorities for Objectives 1 and 2 was held in Brussels on 11 October 2007. The meeting was devoted to an exchange of information on the continued development of the programmes (and further information on the procedures for closure of the programmes). The meeting concluded that the programmes were progressing well and that Sweden is well prepared for the programme closure exercise. The Commission did not request any additional information or follow-up.

Information and publicity

Being at the end of the programming period, the focus of the programmes has shifted over the last few years towards measures to present and promote positive results and good examples (for instance, an evaluation has shown that the positive effects of the programme remain more than a year after the projects have finished: 100% of the new jobs, 90% of the new companies and more than 100% of the new networks are still there). Several of the programmes have therefore produced brochures with key results and examples of best practice, such as Objective 2 Södra in 2007.

24.1. Objective 1

ERDF and EAGGF-Guidance Section

Implementation of the Objective 1 programmes is running smoothly. By the end of 2007, more than 100% of the total 2000-2006 Structural Funds budget had been allocated to projects (taking into account flow-backs into the programme) and approximately 93% (83% in 2006) had been paid out to projects. Payment claims presented to the Commission by the end of 2007 were 94.5% of the total ERDF budget and large enough to avoid any automatic decommitments. By the end of 2007, the Commission had paid out 87% of the total ESF budget, more than enough to avoid any automatic decommitments. Execution of the EAGGF was 87.43% of the funds available and no decommitment following the “n+2” rule was necessary.

On 27 April 2007, a joint monitoring committee meeting was held for both Objective 1 programmes. Besides reports on the progress of the programmes and a discussion on lessons to be learnt from the 2000-2006 period, the agenda included brief information of the 2007-2013 programming period in Sweden.

The 2006 annual implementation reports were received on 29 June 2007, and, after a review, the Commission considered the reports to be acceptable on 29 August 2007. The reports were also discussed in the context of the annual review meeting, where some proposals for improvements were made, for instance, as regards the link to the new integrated guidelines for growth and employment (adopted in 2005).

24.2. Objective 2

All four programmes are progressing very well. At the end of 2007, approximately 101.5% (101% in 2006) of the total 2000-2006 budget for ERDF had been allocated and approximately 91% (81% in 2006) had been paid out to projects. At the end of the year, the Commission had paid out between 87% and 95% of the ERDF budget for the respective programmes, which was sufficient to avoid any automatic decommitment.

A joint monitoring committee meeting was held for all four Objective 2 programmes on 6 March 2007. Besides reports on the progress of the programmes, a discussion on lessons to be learnt from the 2000-2006 period, and brief information on the 2007-2013 programming period in Sweden, the agenda included a presentation by Nordregio on the effects of Structural Funds 2000-2006.

The annual implementation reports for 2006 were received by the Commission on 3-5 July 2007 and were accepted on 19 July (Objective 2 Västra) and 21 August 2007 respectively. The reports this year again showed that the programmes were progressing well, but that the description of the “5% controls” should be further developed and at least contain information on the percentage level of the controls actually performed, as well as on how the programme intends to reach the 5% target. These issues were later discussed at the Annual Review meeting on 11 October 2007, where a number of proposals for improvements were made.

During the year, some of the regions and special interest groups actively participated in the debate on the future cohesion policy.

24.3. Objective 3

There is one Objective 3 programme with total Social Fund support of EUR 780 million for the period 2000-2006. More than 100% of the total 2000-2006 Social Fund budget has been allocated to projects (taking into account flow-backs into the programme). The allocation is likely to come down to 100% of the Social Fund budget. By the end of 2007, the Commission had paid out 87% of the total ESF budget, more than enough to avoid any automatic decommitments.

Implementation of the Objective 3 programme is progressing well. In total, about 50 000 projects have been started. Most of the targets set in the programme have been reached. For example, the number of participants is above the targets set for all priorities while the targets set for people finding a job after participation in an action have not been fully reached for all measures. The 2006 annual implementation report was received on 6 July 2007 and, after a review, the Commission has accepted the updated report.

24.4. Fisheries outside Objective 1

The total FIFG allocation to the Swedish fisheries programme outside objective 1 is EUR 54 014 745 for the period 2000-2006. Due to the rather low level of implementation, and application of the “N+2” rule for the fourth consecutive year, a decommitment of EUR 333 920 could not be avoided at the end of 2007. All in all, the programme has been reduced by EUR 7.5 million. The Swedish authorities have put in place certain corrective measures designed to improve programme implementation.

The most important measures planned in line with the recent reform of the Common Fisheries Policy included scrapping of vessels, processing and marketing, innovative measures/pilot projects, fishing port equipment, protection of aquatic resources, collective investments, and renewal and modernisation of the fleet.

Two meetings of the monitoring committee were held in 2007.

24.5. Community Initiatives

24.5.1. Equal

The Swedish EQUAL programme proceeded without any major difficulties in 2007. At the end of the year, the rate of financial execution of the ESF part of the

programme was 84%. Automatic decommitment under the “n+2” rule was avoided for 2007.

Much was done to mainstream the results of the EQUAL programme through various national thematic networks and events in 2007. At EU level, the Swedish EQUAL managing authority organised the following EU-wide communication and learning platforms:

- Media and Diversity learning seminars and final conference in Paris in November 2007 at UNESCO. Its training toolkit for media professionals is being widely disseminated.
- Policy Forum on Asylum seekers (Malmö, June 2007). The conclusions have been well received in the context of preparation of the European Policy Plan on Asylum.
- Community of Practice on Transnationality. This web-based platform is operational and serving all ESF MAs.
- Sweden has actively participated in the steering groups of two other platforms:
 - Policy Forum on Diversity (led by France);
 - Policy Forum on Business Creation and Social Economy (led by Germany).

The EQUAL team is fully integrated in the new ESF Council structures in Sweden and active within the European ESF Technical Group.

24.5.2. *Leader*

In 2001, the Commission approved one Swedish Leader+ programme. In total, twelve Local Action Groups were selected. Implementation of the programme is approaching its end. By the end of 2007, approximately 109% of the total EAGGF-Guidance Section budget for 2000-2006 had been allocated to projects. During the seven years of implementation, no automatic decommitment has had to be executed. Payment claims presented to the Commission up to the end of 2007 amounted to EUR 33 986 695 from the EAGGF-Guidance Section, i.e. 82.46% of the programme’s total budget.

24.5.3. *Urban*

The Göteborg URBAN II programme is the only one in Sweden. The ERDF contributes a total of EUR 5.38 million to his programme, whose total cost amounts to EUR 16.08 million. The annual implementation report for 2006 was submitted to the Commission in June 2007.

The managing authority for the programme is the County Administrative Board in Örebro and the functional day-to-day management is delegated to the URBAN Secretariat in Göteborg. The monitoring committee met twice during the year.

The “n+2” target was met in 2007.

Overall comments concerning the 2000-2006 period

The programme strategy has a coherent approach combining entrepreneurship, infrastructure improvement and equal opportunities.

Implementation is satisfactory. There were no problems with meeting the yearly “n+2” targets of the programme.

24.6. Closure of programmes 1994 – 1999

The last programmes from the budget period 1994-1999 were already closed in 2004.

25. UNITED KINGDOM

2007–2013 programming period

The UK NSRF considers the five factors influencing productivity — competition, enterprise, innovation, investment and skills — in order to identify areas of relative weakness and priority for action. It states as the overall economic objective of the UK government to raise the rate of sustainable growth and achieve increasing prosperity and a better quality of life with economic and employment opportunities for all. The focus of the ERDF is on innovation, enterprise and sustainable communities. With regard to the ESF, the objective across all UK nations will be on removing barriers of disadvantaged groups to enter the labour market as well as raising the skills level of the workforce.

Following discussion on a number of technical issues, the UK NSRF was formally submitted to the Commission on 27 April 2007 and the Commission adopted a decision approving certain elements of the document on 30 July 2007.¹²

The ESF allocation to the UK amounts to EUR 10 613 million (at current prices). Almost 27.5% of this amount is allocated to the Convergence objective and ‘phasing out’ regions.

The UK has submitted the following six ESF Operational Programmes, which reflect the two ESF priorities set out in the NSRF: one multi-objective programme for England and Gibraltar; two programmes each for Scotland and Wales, one per Objective; and one Regional Competitiveness and Employment Programme for Northern Ireland. The Commission adopted all Programmes between August and November 2007. Advance payments for all UK Programmes amounted to almost EUR 89.5 million. 96% of the ESF programmes allocation is earmarked for Lisbon codes. Programme Monitoring Committees were established following adoption of the programmes, and projects are expected to start in April 2008.

2000-2006 programming period

25.1. Objective 1

The ERDF provided a total of EUR 3981 million to Objective 1 programmes in the United Kingdom during the programming period. FIFG support is available in five Objective 1 programmes, for a total of EUR 96 million. The ESF provided a total of EUR 1881 million to Objective 1 programmes in the United Kingdom during the programming period (including the Northern Ireland BSP programme). The total ERDF amount (excluding PEACE II) paid out in 2007 was EUR 578 million. Further claims for payment were made before the end of December 2007 and these will be paid in 2008. The total ESF amount paid out in 2007 (excluding PEACE II) was EUR 233 million. For the EAGGF, the total amount (excluding PEACE II) paid by the end of 2007 was EUR 271 million (76% of the scheduled budget for the 2000-2007 programming period, i.e. EUR 357 million). Further claims for payment were made before the end of December 2007 and these

¹² C(2007) 3583.

will be paid in 2008. With regard to the “n+2” rule, two programmes did not meet the 2007 target: Merseyside missed the “n+2” target for the ESF by EUR 14.8 million and the Highlands and Islands programme missed the “n+2” target for the EAGGF-Guidance Section by EUR 247 651. All other programmes for all funds met the “n+2” targets in 2007.

Two Objective 1 programmes in England had payments suspended for the ERDF during 2007 — Merseyside and South Yorkshire. Following further work, the suspensions were lifted by the end of the year.

Assistance is provided through five Single Programming Documents and two Operational Programmes. Three of the Single Programming Documents concern the English regions of Cornwall and the Isles of Scilly, Merseyside and South Yorkshire; the other two Single Programming Documents concern Wales (West Wales and The Valleys) and Scotland (transitional programme for Highlands and Islands). Each programme covers four to six priority areas, grouped around five main themes: support for small and medium-sized business, support for business modernisation, community economic regeneration, human resource development and development of strategic infrastructure.

The two Operational Programmes under the Northern Ireland Community Support Framework are funded by all four Structural Funds. They are: “Building Sustainable Prosperity” (BSP), a transitional Objective 1 programme, and the EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland (“PEACE II” programme 2000–2006). The ESF for the BSP OP amounts to EUR 285 million.

PEACE II

The “PEACE II” programme builds on the experience of the special support programme “PEACE I” (1995–1999) and exemplifies the practical support given by the EU to the peace process after the Belfast Agreement. Initially PEACE II covered the period 2000–2004 but in 2004 it was decided to provide additional funding and extend the programme to 2006, bringing it in line with the other Structural Funds programmes in the rest of the European Union.

For the PEACE II programme, the ERDF provided EUR 368 million. The ESF in PEACE amounts to EUR 147 million — another EUR 46 million come from the Irish part of the programme, which brings the total to amounts to EUR 193 million. The total amount paid in 2007 was EUR 93 million. The total ERDF amount paid in 2006 was EUR 42 million. In the case of the ESF, overall payments for the whole period have reached close to 90% of the total ESF allocation, i.e. EUR 33 million. The total amount paid from the EAGGF-Guidance for the PEACE II Programme managed jointly with Ireland was EUR 38 million (88% of the budget of EUR 44 million for the years 2000–2004). The “n+2” target for 2007 was met for all funds.

25.2. Objective 2

The ERDF provides a total of EUR 4 325 million for Objective 2 programmes in the United Kingdom, and the ESF a total of EUR 528 million. The funds are implemented through fourteen Single Programming Documents. Nine programmes

cover the English regions of West Midlands, Yorkshire and the Humber, East Midlands, North East of England, North West of England, East England, South East England, South West England and London; three cover the regions of South of Scotland, East of Scotland and Western Scotland; one concerns East Wales; and one concerns Gibraltar. Each programme covers an average of three priority areas, grouped around three main themes: developing diverse, dynamic and competitive business bases, strategic spatial development, and community regeneration and economic and social development. The UK Objective 2 programmes were adopted in 2001, meaning that increasing levels of activity and progress were not registered until 2003. The total amount paid in 2007 was EUR 317 million for the ERDF and EUR 52 million for the ESF. Payment claims submitted in December 2007 will be paid in 2008. With the exception of North West of England, all other Programmes met the ERDF “n+2” target in 2007. An amount of EUR 4.8 million was decommitted for the ERDF 2005 commitment. The remaining thirteen Objective 2 programmes claimed sufficient expenditure to meet the “n+2” target for all funds set by Article 31(2) of Council Regulation 1260/1999.

Five Objective 2 programmes in England had payments suspended for the ERDF during 2007 — North West, North East, Yorkshire and the Humber, West Midlands and London. All but one of the suspensions were lifted before the end of the year following further work. ESF payment flows have also been difficult for the Scottish programme due to audit issues.

Overall summary of the 2000-2006 period

Programme implementation was in line with the relevant strategies at local level across the UK, placing the emphasis on economic restructuring and regeneration, the development of key sectors and community economic development. Monitoring indicators reveal that all Operational Programmes meet their targets and achieve their objectives. In addition, evaluations confirm that Structural Funds assistance has had a positive impact on the areas of intervention in promoting economic convergence and cohesion between the regions, as well as employment and social inclusion.

25.3. Objective 3

The level of the expenditure in 2007 amounted to EUR 709 million, i.e. 86% of the ESF allocation.

The ESF provides a total of EUR 4 948 million for Objective 3 programmes in Great Britain, implemented through one Community Support Framework and three Operational Programmes: England (EUR 4 290 million), Scotland (EUR 520 million) and East Wales (EUR 138 million). The total amount paid in 2007 was EUR 709 million: England (EUR 678 million) and East Wales (EUR 31 million). All three programmes met their “n+2” targets for 2007. Payment flows have been difficult for the Scottish programme due to audit issues.

For the Scottish OP two meetings of the Programme Monitoring Committee took place, for England three and for Wales none. All three Annual Implementation Reports were received. They were considered admissible and satisfactory.

25.4. Fisheries outside Objective 1

The UK outside Objective 1 Fisheries programme covers most of England, all of Scotland except Highlands and Islands and a very small part of Wales.

The total FIFG amount allocated over the period 2000-2006 is EUR 125.5 million, almost half of it for Scotland. Implementation of the programme has been slow and for the fourth consecutive year the programme will have to be reduced due to the application of the “n+2” rule. After the last decommitment of approximately EUR 6.3 million from the 2004 tranche, the size of the programme is EUR 93.2 million, all of which is committed. With EUR 4.3 million to be decommitted from the 2005 tranche, the original amount of the programme has been decreased from EUR 125.5 million to EUR 88.9 million, i.e. by EUR 36.6 million, or 30%. Due to the “n+2” rule, the programme has lost about 25% of its initial allocation. The corrective measures put in place by the UK authorities have had little effect.

Payments made to the programme total a little over EUR 50 million, i.e. 56.33% of the payment limit.

Limited assurance was credited to the functioning of the PA following the DG MARE audit mission to England in September 2007.

25.5. Community Initiatives

25.5.1. Equal

The UK has two EQUAL programmes: Great Britain (gb) and Northern Ireland (ni).

The UKgb EQUAL programme continued without any major difficulties in 2007. At the end of 2007, the rate of financial execution of the ESF was 84.86% of the total. Automatic decommitment under the “n+2” rule was avoided for 2007. Payments in 2007 amounted to EUR 109 360 080.

Implementation of the UKni programme continued with no major difficulties in 2007. The “n+2” target for 2007 was achieved. In December 2007, the Commission adopted a decision amending the financial tables and approving the transfer of EUR 600 000 from Priority 4 (Equal Opportunities) to Priority 1 (Employability). At the end of 2007, the rate of financial execution for the ESF was 83.24%. Payments in 2007 amounted to EUR 1 974 378.

25.5.2. Leader

The UK has four Leader+ programmes: England, Northern Ireland, Scotland and Wales, with fifty-five Local Action Groups. The total cost of the four programmes amounts to EUR 266 million, of which the EAGGF-Guidance Section contributes EUR 115 million.

By the end of 2007, a total amount of EUR 80 million had been paid (70% of the total budget for the 2000-2006 programming period).

All programmes reached their “n+2” targets.

25.5.3. *Urban*

In the UK the ERDF supports eleven programmes under the URBAN II initiative. These programmes propose innovative development models for the economic and social regeneration of the areas concerned and finance projects to this end. Partnership in design, selection and implementation of projects is a key feature of the URBAN II programmes.

The total ERDF support allocated to the 11 programmes in the UK amounts to EUR 126.2 million. In 2007, a total of EUR 16.6 million was paid out to URBAN II programmes in the UK, with total cumulative payments reaching EUR 98.3 million at year end.

DG REGIO audits revealed problems with management and control systems in England, leading to the suspension of ERDF payments for several programmes. The URBAN II programmes affected by suspension were Stockwell (London), Burnley (North West of England), Halifax (Yorkshire and the Humber), Hetton and Murton (North East of England), and Peterborough (East of England). For the latter region, only payments to the URBAN II programmes were suspended, while in the other regions it affected all ERDF programmes. Suspension had been lifted by the end of 2007.

In 2007, attention shifted more and more towards closure and legacy issues, which were also the focus of the annual UK Urban II Network meeting that took place in Belfast on 13-14 March 2007. Several evaluations are to be conducted in 2008, which will be the final year of implementation. Potential areas of emerging best practise relate to strong social involvement and community engagement, with the focus on specific target groups such as young people, women and migrant population, and good connections of the programmes with the wider development area.

English Programmes

Broadly speaking, the English URBAN II programmes are better at meeting socially related targets than business-related ones. The programmes and programme complements had to be adjusted to mirror this fact.

By the second half of 2006, the focus tuned more to the legacy and closure of the programmes. The results of this were discussed in the UK Network Event held in North Belfast in 2007 March.

The Gies for the programmes are the regional Government Offices in England and the respective Government Department in other parts of the UK. In most cases, however, functional responsibility has been delegated to the local authority most concerned.

All 8 programmes submitted receivable annual implementation reports for 2006 in summer 2007.

There were regular monitoring committee meetings for each programme.

All UK programmes met the “n+2” target for 2007.

Northern Ireland, Wales and Scotland

Since the second half of 2006 concentration has turned more and more to the legacy of the programmes.

N+2 targets were met for 2007. The annual implementation report for 2006 was submitted in summer 2007.

Overall comments for the 2000-2006 period in the United Kingdom

The UK URBAN II programmes were very innovative and successful, especially in meeting the strategic aims of social inclusion, partnership and concentration on the younger generations. Presumably these will have of the strongest impact on URBAN II legacy in the UK.

The UK urban network and the regularly held network events based on URBAN II activities are also worth noting. These connections are very strong and effective, which the programmes want to sustain in the future, including for best practice and exchange of experience in the field of urban development policy.

For proper closure of the programmes, it is very important to tackle the problems in the management and control systems found in the UK. To this end, several action plans are being prepared by the British Authorities.

25.6. Closure of the 1994-1999 programming period

Three ERDF programmes were still partially open at the end of 2007 due to unresolved issues regarding irregularities.

Two ESF programmes relating to the MARI/NRITEA irregularities were closed and the recoveries were settled during 2007. Only one programme remained partially open and will be handled during the first quarter of 2008. As a follow-up to discussions with OLAF on pending irregularities, a revised final claim, taking account of these outstanding irregularities reported to OLAF, arrived early January 2008. The total outstanding commitment (RAL) was 2.7 million.

A formal procedure for an Article 24 Commission decision to apply a flat rate financial correction was launched on 23/10/2007.

All EAGGF programmes have been closed.

Part 3: List of Major Projects

Given the fact that the list of major projects has not changed since the last annual report was published, the information included in Part 3 of the 18th Annual Report on the Implementation of the Structural Funds (COM(2007)676) remains valid and can be consulted for further details.