# Structural Funds: trend in outstanding commitments and requirements for 2004

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PURPOSE : to present a communication from the Commission on the evolution of budget execution of the Structural Funds, in particular outstanding commitments (R.A.L.). CONTENT : this communication explains the expected evolution of the 'RAL' over the rest of the 2000-2006 programming period (EU-15), based on the execution rates recorded in budget years 2000 and 2001 and the assumption that spending should reach a steady level in 2004. It also presents the factors preventing reliable forecasting of annual payments, and the measures taken by the Commission to improve reliability. It presents an initial analysis of why programmes got off to a slower start than anticipated in the 2000-2006 period and reasons why programme management is so complex, and the steps undertaken by the Commission, in particular in the area of simplification, to help the Member States to overcome any obstacles to implementing their programmes. The report shows that the execution of the payment appropriations for the Structural Funds was at a low level in the 2000 and 2001 budgets because the responsible authorities in the Member States did not send in payment claims equal to the financial resources allocated to them and did not meet their own forecasts for the volume of such claims. The rate of execution of appropriations in 2002, up to 31 August 2002, is once more below Commission forecasts. This worrying finding raises questions about the reliability of the budget forecasts, about delays in the implementation on the ground of the programmes financed by the Structural Funds, and about the consequent growth in commitments outstanding. The Commission has undertaken an indepth analysis of these questions. For 2002, the Commission again expects an under-execution of the payment appropriations, in particular because of the Member States' delays in auditing the final expenditure declarations for the 1994-99 period, and in view of the level of the payment claims so far received for the 2000-2006 period. The final out-turn for the new programmes is still uncertain, as budgetary execution may be concentrated towards the end of the year. However, the outlook for the old programmes is already worrying. By 31 August 2002, the Commission had received only a few final payment claims, and most of these are not accompanied by the documents, such as the audit certificates, which are necessary before payment can be made. It is therefore apparent that the Member States have not respected the dead-line for presentation of their claims, which is set in the regulation at six months after implementation of the programmes (in principle 30 June 2002). If this under-execution does materialise: - the carry-over should be proposed of most of the unused appropriations of the period 1994-99, which may reach several billion euro. The outstanding commitments (known as the French acronym 'RAL') at the end of 2002 will be increased by this amount, but will fall to the expected level by end-2003; - the unused appropriations for the 2000-2006 period, which may be about EUR 2 billion, will lead to an increase the RAL at the end of 2002. This increase is expected, according to the suppositions explained in this Communication, to be whittled down over the years 2003 to 2006. According to the Commission, the Member States can be expectedto give themselves a safety margin around this central assumption, and annual payments between 2004 and 2006 are likely to be slightly more than the EUR27,5 billion estimated under the central assumption. This would remain compatible with the financial perspective up to EUR30 billion. The commitments outstanding at the end 2006 would then amount to between EUR55 and EUR64 billion. This figure, which is the consequence of the rule allowing two years after the end of each budget year for consumption of that year's commitments, will be reduced to an insignificant amount in 2010 even if funds are considerably under-utilised, because of decommitments under the "N+2" rule. In order to encourage the execution of programmes within the allowed deadlines, the Commission has started working in partnership with the Member States to simplify procedures for implementing the Structural Funds, both within the Commission and within the relevant national and regional departments. The aim is to make programme management more dynamic and to ensure more rapid and effective implementation of funds, since implementation procedures are often perceived as particularly onerous and disproportionate. The Commission makes clear that the implementation of the Structural Funds is the responsibility of the Member States. However the

Commission makes a firm commitment to achieving the goals of the cohesion policy, and in particular to translating Structural Fund programmes into concrete results on the ground within the time limits set, while at the same time ensuring sound management of Community funds. It is proposing therefore: - to continue its initiatives to simplify procedures; it will submit its proposals for 2000-2006, under the existing rules, to the informal meeting of Ministers to be held on 7 October 2002, and will pursue its ideas for subsequent programming periods in a conference to be held in the first few months of 2003; - to complete the major part of negotiations on programmes for the candidate countries before the date of their accession, in order to facilitate a timely start-up and to put to good use the experience of the present Member States by simplifying their implementation; - to alert Member States regularly and in good time about programmes in danger of decommitment under the "N+2" rule, and to help Member States find solutions to the obstacles encountered in implementing programmes; - to maintain the 'N+2' rule so that its effectiveness in imposing discipline on the programme managers can be properly judged, and to apply this rule in line with the detailed rules set out in the its decision of 27 May 2002; - to promote best practice in forecasting expenditure at programme level so that forward estimates can be made more realistic and reliable and the risks of decommitment can be better assessed; - to examine the possibility of penalties for submitting late and/or unrealistic forecasts; _ to present to the Budgetary Authority each autumn an qualified analysis and appraisal of expenditure forecasts. - to close all programmes and projects still open from before 1994 by the end of 2002, except those suspended for judicial reasons, and close most programmes from the 1994-99 period before the end of 2003.