

ANNEX 1: STATEMENT OF THE RESOURCES DIRECTOR

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission ²⁸, I have reported my advice and recommendations to the Director-General/Head of Service on the overall state of internal control in the DG/service.

I hereby certify that the information provided in Parts 2 and 3.1 of the present AAR and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.

Brussels, 31st March 2010

*[signed]
Vittoria Alliata Di Villafranca
Director, REGIO/A*

²⁸ SEC(2003)59 of 21.01.2003.

ANNEX 2: HUMAN AND FINANCIAL RESOURCES BY ABB ACTIVITY

	Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	TOTAL
REGIO	13 03	European Regional Development Fund and other regional operations	205	52	257
	13 04	Cohesion Fund	103	21	124
	13 05	Pre-accession operations related to the structural policies	15	4	19
	13 06	Solidarity Fund	1	0	1
	13 AWBL-01	Administrative support for Regional policy Directorate-General	47	15	62
	13 AWBL-02	Control related to cohesion policy pre- accession	80	16	96
	13 AWBL-03	Policy strategy, coordination and evaluation for Regional policy Directorate-General	163	33	196
	TOTAL			614	141

IMPLEMENTATION OF THE GLOBAL ENVELOPE

BUDGET LINES CONCERNED: 13 01 02 11 00 01 TO 13 01 02 11 00 06

(IN EUROS)		APPROPRIATIONS 2009 (C1)			APPROPRIATIONS carried over (C8)	
BUDGET LINE*	BUDGET LINE DESCRIPTION	AVAILABLE APPROPRIATIONS 2009	COMMITMENTS 2009	PAYMENTS 2009	AMOUNTS OF APPROPRIATIONS CARRIED OVER FROM 2008	% IMPLEMENTATION ON APPROPRIATIONS CARRIED OVER FROM 2008
13.010211.00		3.133.564				
13.010211.00.01.10	Mission expenses		2.522.672	2.289.258	401.936	386.845
13.010211.00.01.30	Representation expenses		5.000	3.838	49	0
13.010211.00.02.20	Meeting costs		95.000	28.137	29.176	19.332
13.010211.00.02.40	Conference costs		94.116	86.912	11.055	5.105
13.010211.00.03	Meetings of committees		165.000	103.256	32.442	28.035
13.010211.00.04	Studies and consultations		0	0	0	0
13.010211.00.05	Development of management and information systems		0	0	0	0
13.010211.00.06	Further training and management training		251.776	117.296	225.431	210.005
	TOTAL	3.133.564	3.133.564 (100% vs appropriations)	2.628.697 (84% vs appropriations)	700.089	649.322 (93% vs appropriations)

ANNEX 3: DRAFT ANNUAL ACCOUNTS AND FINANCIAL REPORTS

See additional document

Annex 3 Financial Reports - DG REGIO - Financial Year 2009**Table 1 : Commitments****Table 2 : Payments****Table 3 : Commitments to be settled****Table 4 : Balance Sheet****Table 5 : Economic Outturn Account****Table 6 : Average Payment Time Limits****Table 7 : Income****Table 8 : Forecasts of Revenue****Table 9 : Recovery of undue Payments****Table 10 : Ageing Balance of Recovery Orders****Table 11 : Waivers of Recovery Orders****Table 12 : Negotiated Procedures (excluding Building Contracts)****Table 13 : Summary of Contracts (excluding Building Contracts)****Table 14 : Building Contracts****Table 15 : Contracts declared Secret**

Additional comments

According to Table 6. only for 9,7% of claims the time limits for payments have been exceeded. Most of the cases related to closure payments for old programmes treated in white folders for which no interruption was registered in the accounting system. DG REGIO has worked in close collaboration with the Commission Accountant changes of IT systems in order to improve the situation in the future.

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2009 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title 13 : Regional policy				
13 01	Administrative expenditure of Regional policy policy area	24,65	23,55	95,57 %
13 03	European Regional Development Fund and other regional operations	28 216,44	28 187,77	99,90 %
13 04	Cohesion Fund	9 293,58	9 289,01	99,95 %
13 05	Pre-accession operations related to the structural policies	336,53	336,53	100,00 %
13 06	Solidarity Fund	622,54	622,54	100,00 %
Total Title 13		38 493,74	38 459,41	99,91 %
Total DG REGIO		38 493,74	38 459,41	99,91 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

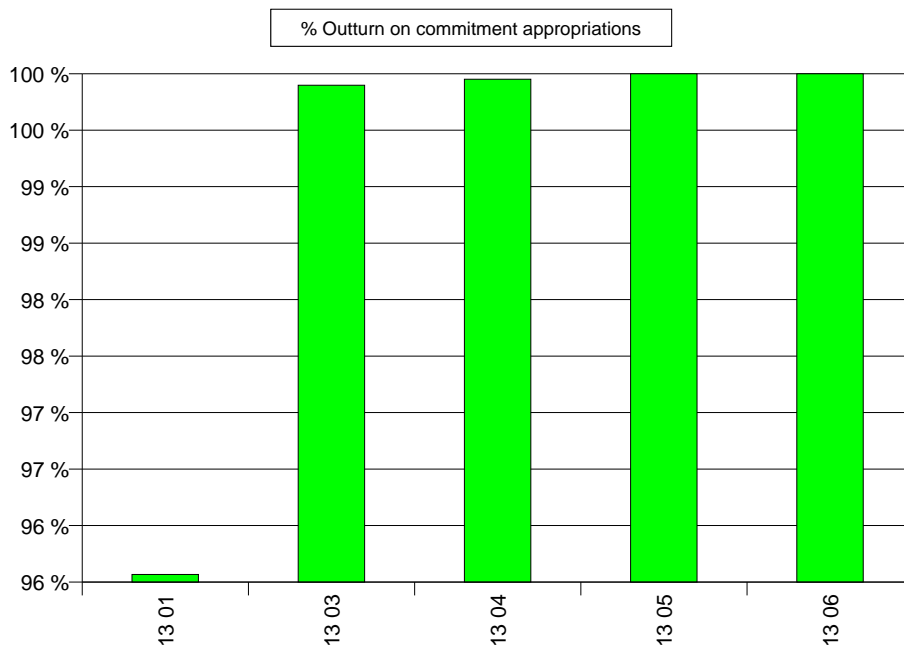


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2009 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 13 : Regional policy				
13 01	Administrative expenditure of Regional policy policy area	33,43	19,20	57,44 %
13 03	European Regional Development Fund and other regional operations	18 250,64	18 249,07	99,99 %
13 04	Cohesion Fund	7 080,13	7 079,78	99,99 %
13 05	Pre-accession operations related to the structural policies	736,58	705,23	95,74 %
13 06	Solidarity Fund	622,54	622,54	100,00 %
Total Title 13		26 723,32	26 675,82	99,82 %
Total DG REGIO		26 723,32	26 675,82	99,82 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

% Outturn on payment appropriations

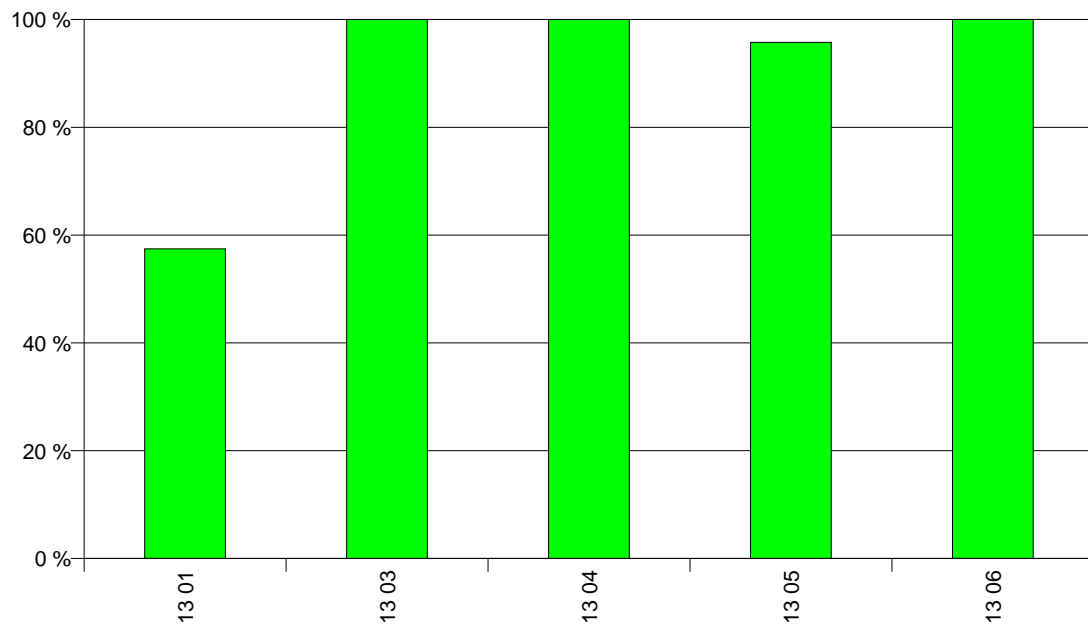


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2009 (in Mio €)								
Chapter		2009 Commitments to be settled				Commitments to be settled from financial years previous to 2009	Total of Commitments to be settled at end of financial year 2009 (incl.corrections)	Total of Commitments to be settled at end of financial year 2008 (incl.corrections)
		Commitments 2009	Payments 2009	RAL 2009	% to be settled			
		1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 13 : Regional policy								
13 01	Administrative expenditure of Regional policy area	23,32	13,36	9,96	42,70 %	0,00	9,96	8,78
13 03	European Regional Development Fund and other regional operations	28 187,77	350,75	27 837,02	98,76 %	40 349,94	68 186,96	58 381,32
13 04	Cohesion Fund	9 289,01	150,66	9 138,35	98,38 %	13 936,51	23 074,87	20 944,47
13 05	Pre-accession operations related to the structural policies	336,53	0,00	336,53	100,00 %	1 620,47	1 957,00	2 335,49
13 06	Solidarity Fund	622,54	622,54	0,00	0,00 %	0,00	0,00	0,00
Total Title 13		38 459,18	1 137,32	37 321,86	97,04 %	55 906,92	93 228,78	81 670,06
Total DG REGIO		38 459,18	1 137,32	37 321,86	97,04 %	55 906,92	93 228,78	81 670,06

Breakdown of Commitments remaining to be settled (in Mio EUR)

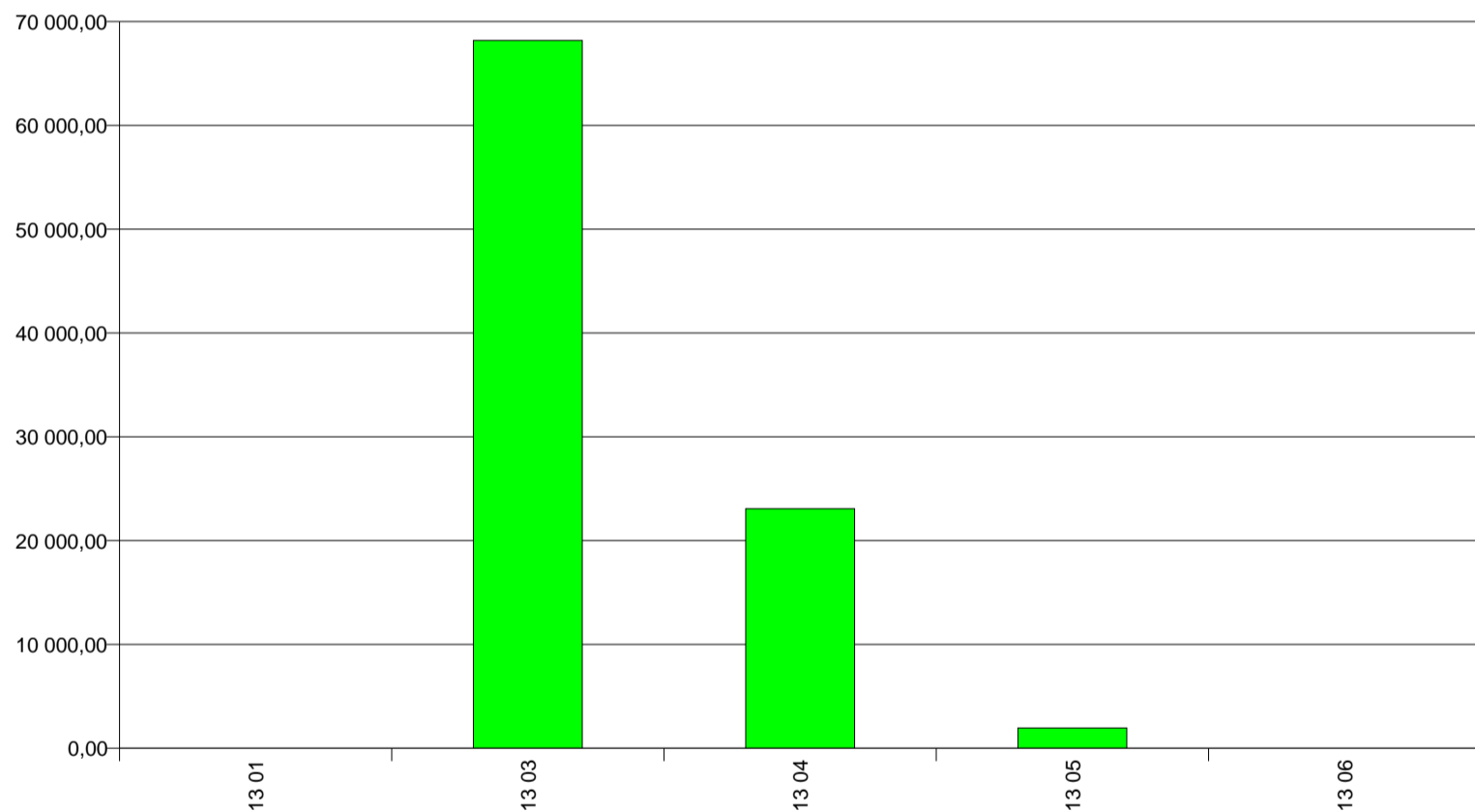


TABLE 4 : BALANCE SHEET

BALANCE SHEET		
DG REGIO	2009	2008
NON CURRENT ASSETS	24 376 147 027,93	16 089 104 826,61
Property, plant and equipment	0,00	
LT Pre-Financing	24 376 147 027,93	16 089 104 826,61
LT Receivables	0,00	
CURRENT ASSETS	2 518 374 903,13	4 639 376 746,45
Short-term Pre-Financing	2 068 647 693,48	4 432 821 433,05
Short-term Receivables	449 734 220,96	206 555 313,40
Cash and Cash Equivalents	-7 011,31	
ASSETS	26 894 521 931,06	20 728 481 573,06
CURRENT LIABILITIES	-21 367 743 877,89	-16 275 459 454,45
Short-term provisions	0,00	
Accounts Payable	-21 367 743 877,89	-16 275 459 454,45
LIABILITIES	-21 367 743 877,89	-16 275 459 454,45
NET ASSETS (ASSETS less LIABILITIES)	5 526 778 053,17	4 453 022 118,61
P.I.2. Accumulated Surplus / Deficit	0,00	20 037 220 479,92
Non-allocated central (surplus)/deficit*	-5 526 778 053,17	-24 490 242 598,53
NET ASSETS	-5 526 778 053,17	-4 453 022 118,61

* This figure is a balancing amount presented here so as to reflect the fact that the accumulated result of the Commission is not attributed to each DG

TABLE 5 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
DG REGIO	2009	2008
FROM OPERATING ACTIVIT	25 301 150 268,67	18 737 012 404,50
OPERATING REVENUES	-496 166 707,35	-327 436 802,07
Other operating revenue	-496 166 707,35	-327 436 802,07
OPERATING EXPENSES	25 797 316 976,02	19 064 449 206,57
Administrative Expenses	10 317 036,99	7 021 835,66
Operating Expenses	25 786 999 939,03	19 057 427 370,91
SURPLUS/DEF. NON OPERATING ACTIVIT	3 653,69	-1 165 648,80
FINANCIAL OPERATIONS	3 653,69	-1 165 648,80
Financial revenue		-1 169 115,89
Financial expenses	3 653,69	3 467,09
ECONOMIC OUTTURN ACCOUNT	25 301 153 922,36	18 735 846 755,70

It should be noted that the balance sheet and economic outturn account of Directorate General , presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in table 4 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2009 - DG REGIO

Full Year 2009

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1065	914	85,82 %	15,19	151	14,18 %	61,32
45	487	476	97,74 %	22,96	11	2,26 %	325,36
60	1796	1634	90,98 %	28,14	162	9,02 %	206,57

Total Number of Payments	3348	3024	90,32 %		324	9,68 %	
Average Payment Time	34,98			23,41			142,91

Q4 2009

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	8	7	87,50 %	13,29	1	12,50 %	43,00
30	943	786	83,35 %	16,69	157	16,65 %	77,11

Q4 Total Number of Payments	951	793	83,39 %		158	16,61 %	
Q4 Average Payment Time	26,67			16,66			76,89

Late Interest paid in 2009			
DG	GL Account	Description	Amount (Eur)
DG REGIO	65010000	Interest expense on late payment of charges	3 653,69
			3 653,69

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2009

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY AGREEMENTS AND PROGRAMMES								
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	23 482 661,32	20 408 766,34	43 891 427,66	23 375 768,93	20 408 766,34	43 784 535,27	106 892,39
65	FINANCIAL CORRECTIONS	225 259 317,87	40 000 526,72	265 259 844,59	179 773 663,19	40 000 526,72	219 774 189,91	45 485 654,68
66	OTHER CONTRIBUTIONS AND REFUNDS	57 628,00	41 012,00	98 640,00	57 628,00	0,00	57 628,00	41 012,00
	Total Title 6	248 799 607,19	60 450 305,06	309 249 912,25	203 207 060,12	60 409 293,06	263 616 353,18	45 633 559,07
Title 9: MISCELLANEOUS REVENUE								
90	MISCELLANEOUS REVENUE	27 376 632,20	0,00	27 376 632,20	27 376 632,20	0,00	27 376 632,20	0,00
	Total Title 9	27 376 632,20	0,00	27 376 632,20	27 376 632,20	0,00	27 376 632,20	0,00
Total DG REGIO		276 176 239,39	60 450 305,06	336 626 544,45	230 583 692,32	60 409 293,06	290 992 985,38	45 633 559,07

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Annex 3 Financial Reports - DG REGIO
Report printed on 24/03/2010

TABLE 8: FORECASTS OF REVENUE FOR DG REGIO

Year of Origin	2008			2009		
	Nbr of Forecasts	Nbr of Forecasts <= 1€	Open Amount at Year End (€)	Nbr of Forecasts	Nbr of Forecasts <= 1€	Open Amount at Year End (€)
1999	2	0	1 026 376,00	1	0	20 488,00
2002	3	1	73 549,60	1	1	1,00
2003	3	0	2 130 843,76	2	0	1 230 843,76
2004	52	3	215 689 851,11	45	3	210 516 691,30
2005	26	3	83 744 619,58	16	2	60 146 412,91
2006	41	13	43 230 904,11	28	9	16 212 382,63
2007	24	4	47 009 504,95	17	4	35 521 024,61
2008	50	4	476 214 684,99	30	4	98 580 296,77
2009				160	11	290 768 170,15
TOTAL	201	28	869 120 334,10	300	34	712 996 311,13

**TABLE 9 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

RECOVERY ORDERS ISSUED IN 2009 Year of Origin (commitment)	Error		Irregularity		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
1998			2	111 393,75			2	111 393,75
1999			8	8 657 384,61			8	8 657 384,61
2000			3	5 318 287,31			3	5 318 287,31
2001					1	28 538,29	1	28 538,29
2003			3	2 317 859,68	2	36 573,05	5	2 354 432,73
2005					1	1 147 590,00	1	1 147 590,00
2006			2	7 030,95	1	25 070,00	3	32 100,95
2008					4	2 928 572,89	4	2 928 572,89
2009					1	369,20	1	369,20
No Link	1	105 105,00	55	209 516 889,62	12	46 205 242,16	68	255 827 236,78
	1	105 105,00	73	225 928 845,92	22	50 371 955,59	96	276 405 906,51

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Irregularity		No error / irregularity	
	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	4	12 518 073,90	454	1 544 212 382,58

	Error		Irregularity		No error / irregularity	
	Nbr	Credit Note Amount	Nbr	Credit Note Amount	Nbr	Credit Note Amount
CREDIT NOTES	1	-1 336,45	1	-2 736,88	44	-3 893 387,10

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 28/02/2010.

TABLE 10: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2009

Year of Origin	Number at 01/01/2009	Number at 31/12/2009	Evolution	Open Amount (Eur) at 01/01/2009	Open Amount (Eur) at 31/12/2009	Evolution
2005	1	1	0,00 %	41 012,00	41 012,00	0,00 %
2007	2		-100,00 %	384 276,84		-100,00 %
2008	21		-100,00 %	60 025 016,22		-100,00 %
2009		13			45 592 547,07	
Totals	24	14	-41,67 %	60 450 305,06	45 633 559,07	-24,51 %

TABLE 11 : RECOVERY ORDER WAIVERS IN 2009 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Official Name	Commission Decision	Comments
1	3233900266	3240902191	-229 667,12	NO ACCESS		

Total DG REGIO	-229 667,12
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Number of RO waivers	1
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J u s t i f i c a t i o n s :
 Following the decision C(2009)7937 of 22/10/2009 the European Commission waived recovery of the established amount receivable of EUR 229 667.12 owed by a beneficiary.

TABLE 12 : CENSUS OF NEGOTIATED PROCEDURES - DG REGIO - YEAR 2009

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Contract Number	Lot Number	Contractor(s)			Description	Amount (€)	Legal base
		Name	Address	Type of contract			
Nbr of procedures					Total Amount		

No data to be reported

TABLE 13 : SUMMARY OF PROCEDURES OF DG REGIO EXCLUDING BUILDING CONTRACTS

Internal procedures > € 60,000	2008		2009	
Procedures and types of contracts	Count	Amount (€)	Count	Amount (€)
Service	2	15 249 360,00	16	6 750 021,50
TOTAL	2	15 249 360,00	16	6 750 021,50
Procedures and types of contracts	Count	Amount (€)	Count	Amount (€)
Open Procedures	2	15 249 360,00	13	6 270 314,50
Other	0		1	250 000,00
Restricted Procedures	0		2	229 707,00
TOTAL	2	15 249 360,00	16	6 750 021,50

External procedures > € 10,000	2009	
Procedures and types of contracts	Count	Amount (€)
Service	1	90 310,00
TOTAL	1	90 310,00
Procedures and types of contracts	Count	Amount (€)
Open Procedures	1	90 310,00
TOTAL	1	90 310,00

Additional comments

TABLE 14 : BUILDING CONTRACTS

Count :	0
Total amount :	

Contractor(s)						
Number	Name	Address	Type of contract	Description	Amount (€)	Legal base

No data to be reported

TABLE 15 : CONTRACTS DECLARED SECRET

No data to be reported

Count :	0
Total amount :	

	Contractor(s)					
Number	Name	Address	Type of contract	Description	Amount (€)	Legal base

ANNEX 4: ASSESSMENT OF RISKS AND MATERIALITY CRITERIA

Assessment of management and control systems in the Member States and candidate countries

The process used to establish the final opinion of the Directorate General on the assurance provided by the management and control systems in the Member States is based on an *audit opinion* from the Audit Directorate of the Directorate General and on a *management assurance declaration* from the Authorising Officers by Sub-delegation.

The Audit Directorate has prepared assessment fiches and issued an *audit opinion* on the functioning of the systems for all Member States and beneficiary countries. These fiches indicate for each system whether any deficiencies have been found (and if so whether they were significant) and give an overall audit assessment.

This assessment is based on the audit work of the Audit Directorate, the results of the analysis of the annual control reports of the Member States, information from audit reports received from the national audit bodies, and from audits of the European Court of Auditors and other Directorates General in charge of Structural Funds, up-to-date information obtained from the most recent bilateral meetings with national audit authorities, and in certain cases the results of the follow-up of action plans agreed with Member States. The Audit Directorate has taken into account in its evaluation information on error rates where available as reported by the national audit bodies or resulting from its own project audits. In general error rates reported by national audit bodies are not based on statistically representative samples, but frequently result from a risk-based selection of operations (for the 2000-2006 period). They are therefore taken into account as one of the indicators of the effective functioning of systems and high error rates are followed up.

The assessment methodology is aligned to that used by the European Court of Auditors in its Annual Report, but takes account of the revised approach resulting from the joint working group (European Court of Auditors and Directorates General Regional Policy and Employment). The assessment has first been made at the level of the key control elements of the system according to the following four categories: works well – minor improvements required; works, some improvements required; works, substantial improvements required; does not work. An overall assessment of the system has then been made using the same four categories and taking account of any compensating controls or mitigating factors. There is a disclaimer (i.e. no audit opinion) in the cases where there is no reliable audit evidence. This concerns systems which have not been audited by DG REGIO, or by other audit bodies on whose work it is possible to rely. The completed fiches and audit opinions for each country were transmitted to the Authorising Officers by Sub-delegation.

Each operational Head of unit prepared a *contribution to the management assurance* taking into account the annual reports from the Member States, the annual meetings, new information in the annual summaries, payment requests, the Monitoring Committee meetings and the contacts with regional and national programme managers. Based on the fiches from the Audit Directorate and audit opinions, the fiches from the operational heads of unit, and other information from the management activities, the Authorising Officers by Sub-delegation have issued a *management assurance* for all Member States and beneficiary countries in the framework of article 4.8 of the Charter of Authorising Officers by Sub-delegation. This opinion contains their own judgement on the appropriateness of management and control systems in the Member States and any identified risk which ought to be disclosed in the Annual Activity Report or give rise to a reservation to the declaration of assurance.

The final stage of the evaluation process was a detailed review of each Member State and beneficiary country by the Annual Activity Report Board of the Directorate General in order to ensure the quality and consistency of the management assurance declarations, to resolve any cases of discrepancy between the audit opinions and management assurance declarations, to agree on any modifications required as a result of developments during the first quarter of the current year, and to identify the systems for which a reservation should be made.

The final assessment of the systems led to the classification of all programmes in the following four categories: *reasonable assurance*, *reasonable assurance with moderate impact*, *limited assurance with significant impact*, and *no assurance*.

A *reasonable assurance* signifies that there are no material deficiencies in key elements of the systems.

A qualified opinion signifies the existence of material deficiencies in key elements of the systems. Where it has been concluded that the impact is *moderate*, it means that the risk for payments is low for the year covered by this annual activity report. Where it has been concluded that the impact is *significant*, this indicates a medium risk for payments for the year covered by this annual activity report.

A *no assurance* signifies that there are material deficiencies in key elements of the systems so that no reasonable assurance has been obtained on the functioning of those systems, and the risk for payments in the year covered by this annual activity report is high.

For cases where no audit opinion (disclaimer) was given because of an absence of reliable audit evidence on the functioning of the systems, it has been taken into account whether the set up of the systems has been considered as satisfactory, that each payment claim is certified by the certifying authority as containing expenditure which is legal and regular, and that in some cases there are other sources of information on the functioning of the systems.

Assessment of risk

For the assessment of risk, the Directorate General makes a judgment based on the estimated level of financial correction which would be applicable for the systems deficiencies identified. For this purpose, reference is made to the Commission guidelines on the principles, criteria and indicative scales to be applied by Commission departments in determining financial corrections under Article 39(3) of Regulation (EC) N° 1260/99 (C(2001)476), and the equivalent guidelines for the Cohesion Fund. The indicative scales of flat rate corrections are linked to the non-functioning or partial functioning of key elements of the system.

For programmes or systems where the final opinion is *reasonable assurance*, the risk for payments made in the year covered by this annual activity report is estimated at less than 2% (very low risk).

For programmes or systems where the final opinion is *reasonable assurance with moderate impact*, the risk for payments made in the year covered by this annual activity report is estimated at less than 5% (low risk). This level of risk is considered acceptable during programme implementation since payments cannot exceed 95% of committed funds prior to programme closure (80% for Cohesion Fund 2000-2006) and it can be managed by the national and Commission procedures for programme closure.

For programmes or systems where the final opinion is *limited assurance with significant impact*, the risk for payments made in the year covered by this annual activity report is estimated at 5% (medium risk).

For programmes or systems where the final opinion is *no assurance*, the risk for payments made in the year covered by this annual activity report is estimated at 10% or above (high risk).

Materiality criteria

The term “significant deficiencies” as defined in the “Guidelines for defining materiality” annexed to the instructions means that deficiencies detected in the management and control systems concern key control elements and, having regard to relevant factors such as the number and duration of the deficiencies, the importance of the systems affected and whether or not there have been compensatory measures or corrective actions, it is concluded that they are systemic and wide-ranging.

In line with the approach taken for this Annual Activity Report and with the recommendations of the European Court of Auditors, the Directorate General has considered that for all programmes or systems for which the opinion is "*limited assurance with significant impact*" or "*no assurance*", the deficiencies should be considered as "significant deficiencies" as defined in the Guidelines, unless there is reliable audit evidence that an action plan to remedy the weaknesses and correct the risk of irregular expenditure is being implemented effectively by the national authorities and first results have been produced.

In addition DG REGIO assesses whether the deficiencies give rise to special factors which put at risk the reputation of Community institutions (e.g. the fundamental incapacity of a Member State to deliver remedial measures, risk of widespread fraud).

If the assessment leads to the conclusion that a deficiency is significant, a quantification of the risk is carried out. The approach DG REGIO follows to ensure a consistent and defensible result is as follows:

- 1) Identify the expenditure "*population*" in which the risk occurs. For the Structural Funds and Cohesion Fund this will normally be payments made by the Directorate General in the year covered by the Annual Activity Report to the programmes or projects in the Member State managed under the systems in which the deficiencies have been identified;
- 2) Estimate the maximum percentage of the expenditure in that "*population*" which might finally be determined to be irregular. This will normally be the use of error rate identified following audit activities for a similar population (if applicable) or the application of the scales for flat rate corrections fixed in the Commission guidelines of 2001 (Structural Funds) and 2002 (Cohesion Fund) relevant for the seriousness of the deficiencies identified.
- 3) Quantify the actual amount of payments for the Fund and year concerned which are estimated to be at risk;
- 4) Relate the sum of such amounts for all instances of significant deficiencies to the total payments under the ABB activity for the year concerned.

In quantifying the risk DG REGIO also examines whether the deficiencies had an impact on previous years' expenditure and estimation is made of the total amount at risk, following the same procedure for the calculation. This is relevant in relation to the consideration of reputational risk for the Community institutions. For the purpose of quantification it should be noted that where the Commission has taken action to suspend payments to the Member State or has taken a financial correction decision, or where the Member State has taken actions to prevent irregular expenditure being certified to the Commission, this is taken into account in the quantification.

Reservations should be made in respect of significant deficiencies in the systems in the Member States where the resulting risk to the Community budget is material. Following the approach set out, this means reservations are made in the following cases:

- Where examination of the qualitative aspects leads to a finding of a significant deficiency and the sum of the amounts quantified as "*at risk*" from the cases examined exceeds 2 % of the total payments made for the year in question under the ABB activity.
- Where there are special factors in relation to the qualitative aspects of the deficiencies or a high level of risk for the budget for a number of preceding years, which give rise to a high reputational risk for the Community institutions.

ANNEX 5: INTERNAL CONTROL TEMPLATE(S) FOR BUDGET IMPLEMENTATION (ICT)

ICT: European Regional Development Fund and Cohesion Fund (mainly shared management)	
Management mode: Mainly shared management – national and regional programmes managed by Member States, which select operations for funding; Commission has supervisory role.	
<p><i>2000-2006 programming period :</i></p> <p>Grant period: Disbursed over a 9-year period for a 7-year programme</p> <p>Grant basis: Co-financing with Member States (maximum EU contribution between 25% and 85%)²⁹</p> <p>Number of programmes (Operational Programmes/Single Programming Documents/Community Initiatives programmes): 379</p> <p>Average amount of ERDF (estimate) managed by OP: EUR 340 million</p>	<p><i>2007-2013 programming period :</i></p> <p>Grant period: Disbursed over a 9-year period for a 7-year programme</p> <p>Grant basis: Co-financing with Member States (maximum EU contribution between 50% and 85%, depending on Member State and Fund)³⁰</p> <p>Number of programmes (Operational Programmes, including ERDF & CF): 317</p> <p>Average amount (estimate) managed by OP: EUR 850 million</p>
<p>Management and control systems : stages and main actors - Characteristics of the Directorate General's policy environment</p> <p>Summary: DG REGIO funds, mainly through the European Regional Development Fund and the Cohesion Fund, infrastructure, business investment, environmental and other projects contributing to regional development carried out by national, regional and local government bodies in the Member States.</p> <p>Key inherent risks in this environment:</p> <ul style="list-style-type: none"> - Multiplicity of organisations, systems, operations and beneficiaries; - Many different types of projects and programmes; - Detailed eligibility requirements at Community and national levels which can lead to complexity and risk of misinterpretation; <p>Given the scope and the multi-annual nature of the structural instruments, the number of systems, and the audit resources available to the Directorate General, it is not possible to audit all significant areas each year.</p>	
<p>Preventive measures:</p> <p>Negotiation and approval of programmes, including main elements of management and control systems in Member States</p>	<ul style="list-style-type: none"> ▪ For 2000-2006 programmes the Commission negotiated programme content and management arrangements which were communicated in the programme documentation sent by the Member States to the Commission. The Member States designated a managing authority per programme as the body responsible for execution of the programme and the first level controls of expenditure and a paying authority to certify payment claims to the Commission. ▪ For the 2007-13 programmes, establishment of a satisfactory system architecture (managing authority, certifying authority, intermediate bodies and audit authority) was a condition of programme approval. The Commission ensured that existing relevant information about weaknesses in the systems for the 2000-2006 period was used to improve the systems so that the weaknesses do not recur in the new programme period, 2007-2013.
<p>Preventive and supervisory measures:</p> <p>Compliance assessment of set-up of management and control systems</p>	<ul style="list-style-type: none"> ▪ For the 2000-06 period, the Member States sent a description of the management and control system to the Commission, including details of the organisation of the managing and paying authorities, intermediate bodies reporting to them, the audit services and the body issuing the winding-up declaration. Between 2001 and 2003 the Commission carried out a desk check of all the system descriptions and recommended changes where necessary. It also performed on-the-spot audits of a sample of systems in the Member States to verify the descriptions. ▪ For the 2007-2013 period to strengthen the scrutiny of systems, the Member

²⁹ See Article 29 of Council regulation(EC) n° 1260/1999

³⁰ See Annex III of Council Regulation (EC) n° 1083/2006

	<p>States assess the compliance of their management and control systems. They submit a description of the systems, the results of an independent assessment of the set-up of the systems and an independent report and opinion on their compliance within 12 months of the approval of each operational programme and before the submission of the first interim application for payment. The Commission examines the documents submitted to satisfy itself that there is reliable assurance on the set up of the systems.</p> <ul style="list-style-type: none"> Where there are reservations in the opinion or the Commission itself has observations, it ensures that corrective measures concerning key elements of the systems have been taken before confirming that interim payments can begin.
<p>Preventive and supervisory measures:</p> <p>Supervisory and central checks and monitoring during the initial phases of the programme</p>	<p>Throughout the implementation period the operational units of DG REGIO hold regular meetings with Member States managing authorities, including the annual meetings to review the annual implementation reports; the financial unit maintains contacts with certifying authorities by accepting each payment claim; and the audit directorate with responsible audit bodies through annual bilateral and multilateral meetings. Issues in managing and controlling Community funds are also discussed with Member States in the management committees composed of representatives of the Commission and Member States (Committee for the Coordination of Funds).</p> <p>By these means DG REGIO provides advice and formal guidance on issues such as management checks and sampling for audits to establish benchmarks and spread good practices.</p>
<p>Detective and corrective controls:</p> <p>Primary level verification by managing authority of correctness of expenditure declared from financed operations and their compliance with grant conditions; reporting to the Commission on interim payments and key milestones</p>	<p>Throughout the implementation period the managing authorities in Member States are required to carry out the following checks:</p> <ul style="list-style-type: none"> Ensure compliance of projects with selection criteria and beneficiary's understanding of the terms and conditions; Desk checks of all expenditure based on supporting documents, including progress reports, etc.; On-the-spot visits to a significant number of projects selected on a risk based analysis to verify delivery of the project outputs (investment, services) and reality and eligibility of expenditure declared; Correcting irregular expenditure and recovery of EU funds as appropriate; Drawing up of annual reports on implementation and a final report summarising the implementation of the entire programme, which are scrutinised by the Commission.
<p>Detective and corrective controls :</p> <p>Secondary level verification by paying/certifying authority, including reporting of irregularities and recoveries</p>	<p>Each periodic statement of expenditure is checked and certified as correct by the paying/certifying authority.</p> <p>The assurance is based on its own desk checks and, if necessary, on-the-spot-verifications and the information on checks performed by the managing and audit authorities. The paying/certifying authority also monitors and reports to the Commission information on irregularities and suspected fraud and recoveries made.</p>
<p>Supervisory and corrective controls:</p> <p>Audits by the audit authority</p>	<ul style="list-style-type: none"> For the 2007-2013 period the responsible audit body performs system audits and carries out substantive testing of projects to cover 5% of expenditure by programme closure; it passes on findings of systems weaknesses and irregular expenditure found to the managing authority and to the paying/certifying authority for correction; it issues an annual control report on the work carried out and conclusions drawn. For the 2007-2013 period the audit authority for each programme provides an annual audit opinion on the functioning of systems along with the annual control report, based on its programme of systems audits and substantive testing on a representative sample of operations.
<p>Supervisory and corrective controls:</p> <p>Audits by the Commission</p>	<p>Throughout implementation period DG REGIO's audit directorate carries out systems audits with substantive testing to confirm assurance on the effective functioning of the systems and requires Member State to correct any system weaknesses and irregular expenditure found. The Commission uses the results of its own audits as well as the results of the audit authority to obtain assurance.</p> <p>For the 2007-2013 period the Commission will focus its audits on review of the work of the audit authority, in order to be able to place reliance on it.</p>
<p>Supervisory and corrective controls:</p> <p>Audits by the European</p>	<p>At any time during the implementation period, and for three years after partial or final closure, the European Court of Auditors can carry out system audits with substantive testing of a sample of transactions, as part of the audit work</p>

Court of Auditors	performed to support the annual opinion issued by the Court on the European budget (Déclaration d'Assurance).
Corrective controls and audit: Final payment and programme closure	<ul style="list-style-type: none"> ▪ At the end of the programme period, an independent person or body in the Member State reviews the audit work done and gives its opinion on the expenditure declared from the programme as a whole. ▪ The Commission scrutinises all such “winding-up” declarations and if necessary asks for further information or the performance of more audit work, often leading to further corrections. ▪ The Commission generally audits a sample of programmes after closure, again resulting in corrections of any irregular expenditure found. ▪ Supporting documents have to be kept accessible for audit by Commission and European Court of Auditors for three years after partial or final closure.

ICT: IPA/ISPA (decentralised management)	
Management mode: Decentralised management (IPA assistance - <u>regional development</u> component)	
<u>2000-2006 programming period:</u> Number of CF/ex-ISPA projects : 1194 Average amount (estimate) managed per CF project: EUR 30 million Number of ISPA (Croatia) projects: 6 Average amount (estimate) managed per ISPA project: EUR 10 million	<u>2007-2013 programming period:</u> Number of IPA programmes ³¹ : 7 Average amount (estimate) managed per IPA programme: EUR 203 million (2007-2011) Number of IPA-CBC programmes: 10 Average amount (estimate) managed per IPA-CBC programmes: EUR 20 million
Management and control systems : stages and main actors	
<p>Decentralisation of Community Aid involves the transfer of responsibility for management of EU funds from the European Commission (EC) to the beneficiary country. For the purposes of the pre-accession assistance - IPA, decentralised management shall cover at least tendering, contracting and payments.</p> <p>There are two stages in the decentralisation process involved in the programming and implementation of the Instrument for Pre-Accession Assistance (IPA):</p> <p>(i) During the first stage, the decentralisation process is based on the principle of ex-ante controls by the Commission. The <i>ex-ante</i> controls shall apply, depending on the component or programme, until the Commission allows for decentralised management without <i>ex-ante</i> controls. The extent of the <i>ex-ante</i> controls is specified in the Commission decisions on the conferral of management.</p> <p>Within the first stage of decentralised management, the European Commission (EC) exercises systematic <i>ex-ante</i> controls. In practice, the <i>ex-ante</i> controls procedure is sub-delegated to the Delegations of the European Commission; it involves some typical essential checks as listed below:</p> <ul style="list-style-type: none"> – approving of operations/projects which are not "major projects" (the later are assessed by DG REGIO for ad hoc Commission decisions); – approving the Terms of Reference/Technical Specifications/Grant Guidelines; – approving the content of the Tender Dossier/Call for Applications before the tender is launched; – approving the composition of the Shortlist Panel; – approving the composition of the Evaluation Committee; – checking and approving the Short List Report/ Evaluation Report; – endorsing the Contract through the signature of the Head of the Delegation of European Commission (or an authorised delegate) on the Contract itself, not as a party to the Contract but to confirm, that the project is eligible to receive EU financing. – checking and approving addenda to contracts <p>(ii) Before dispensing with the <i>ex-ante</i> controls laid down in the Commission Decisions on conferral of management powers, the EC shall satisfy itself of the effective functioning of the management and control system concerned in accordance with the relevant Community and national rules. During this second stage the decentralisation process is based on the principle of ex-post controls, meaning that the assistance under IPA is implemented through fully decentralised management according to the provisions from the IPA Implementing Regulation 718/2007..</p> <p>Under both modalities of decentralised management, the Commission relies both on its direct audit work and on the audit work carried out by the Audit Authorities. In the latter case, the reliance of the Commission, after careful review,</p>	

³¹ Regional component only

<p>is based mainly on review of system audit reports, annual audit activity reports and opinions. Statements of assurance by the NAO further increase the overall assurance on IPA systems. In the first stage of decentralised management, reliance is additionally on ex-ante Commission (EU Delegation) checks.</p> <p>Key inherent risks in this environment</p> <p>Decentralised management modes involve greater inherent risk than centralised ones. The primary and secondary controls ensuring the legality and regularity of individual tenders, contracts and payments are carried out by National Administrations who have their own organisational culture and 'tone at the top'. Further risks are generated by the fact that implementation of pre- and post-accession assistance includes all kinds of grants (individual and grant schemes) and of procurement (works – usually called 'investment' – , supplies, services). However, these risks are mitigated by the ex ante controls of the EC Delegations, during pre-accession.</p>	
<p>Selection process (of beneficiaries, intermediaries, agencies, contractors etc), including preventive measures</p>	<p>Under both stages of decentralised management, national authorities are responsible for all tendering and contracting, implementation and payments. Under the first stage, all aspects of the tendering and contracting processes are, however, subject to ex-ante controls by the Commission (through the relevant EC Delegation) – they are waived upon the conferral of management powers without <i>ex ante</i> controls decided by the Commission.</p> <p>After accession, the use of national procurement rules is obligatory in accordance with EU public procurement law.</p>
<p>Communication and information measures to improve the quality of financial management and provision of supporting data by beneficiaries, contractors and intermediaries</p>	<p>Regular communication with the beneficiaries and national authorities, including monitoring of implementation, is ensured through Joint Monitoring Committees and Subcommittees, as well as regular meetings with national authorities and missions by HQ services and EU Delegation staff.</p> <p>Sectoral annual and final reports on implementation of IPA operational programmes are prepared by the Operating Structures.</p> <p>At closure of programmes, the NAO (National Authorising Officer) sends to EC a final payment application and a final statement of expenditure (accompanied by the sectoral final report). These documents are validated by the Audit Authority which issues an opinion supported by a final activity report.</p>
<p>Detective and corrective controls:</p> <p>Checks and monitoring during the initial phases of the programme/contract</p> <p>Checks and monitoring during the final/ closure phases of the programme/ contract</p>	<p>This section outlines the controls which are undertaken <i>prior to</i> the commitments and payments of the underlying implementation transactions.</p> <p><i>Systems audits</i></p> <p>Audits of national authorities' systems are designed to support the operational Unit's decisions as regards conferral of management powers (decentralisation). After the decision on conferral of management powers, systems audits test continued compliance with the underlying management standards. Findings may lead to requests for reinstatement of compliance, to financial corrections or to the suspension/withdrawal of the conferral of management powers decision if necessary.</p> <p><i>Ex ante transaction controls</i></p> <p>In decentralised implementation, a substantial degree of reliance is placed on the national structures. For National Programmes, the operational Directorate's (AOSD) assessment is supported by "no objections" note by the Head of Delegation.</p> <p>The exact organisational responsibilities of different actors are defined in the IPA regulation, have been the object of joint instructions notes and are coordinated where possible with DG ELARG, DG EMPL and DG AGRI, which also operate under the same regulation. Delegations focus on helping the National Authorities improve their systems and thus reduce the 'rejection rates' of the procurement files they submit to ex ante approval, rather than on heavy direct intervention at transaction level to ensure high contracting rates.</p>
<p>Preventive and corrective controls and audit:</p> <p>Desk reviews, on-the-spot audits carried out either <i>ex-ante</i> or <i>ex-post</i>.</p>	<p>This section outlines the controls which take place after the underlying implementation transactions.</p> <p><i>Ex post controls at transaction level in decentralised management:</i></p> <p>a) <i>At national level</i></p> <p>The National Authorities themselves should undertake some ex-post controls ('secondary' controls according to the terminology of the Court of Auditors). These may already be at 2 levels: i) those undertaken by the NAO to ensure confidence in the work of the Operating Structures and ii)</p>

	<p>those by the Audit Authority to provide the Commission with reasonable assurance.</p> <p>b) <i>At Commission level</i></p> <p>The Commission monitors the general adequacy and the performance of those national systems. The main tool for monitoring project progress are the monitoring reports from the National Authorities, regular monitoring missions by the Delegation staff and occasional by HQ. The main tools for monitoring the effectiveness of systems in ensuring legality and regularity are National Authorities' own controls and audits, together with operational and audit reports from the Commission.</p> <p>The principal forum at which the Commission engages with the National Authority on these matters is the Joint Monitoring Committee (JMC) sectoral monitoring committees and regulation coordination meetings with the national authorities.</p>
<p>Feedback which enables control activities to be optimised</p>	
<p>Verification that processes are working as designed</p>	<p>In DG REGIO, specific financial circuits have been set up detailing steps for each financial transaction under each implementation mode.</p> <p>Adherence to financial circuits is verified through management supervision. The DG's Internal Control Coordinator (ICC) oversees and regularly assesses the effectiveness of DG REGIO's controls in terms of the Commission's internal control standards. Independent internal audits are carried out by the DG's Internal Audit Capability (IAC) that reviews issues arising from identified risks. The IAC issues recommendations for improvements to management methods. All AOSDs are requested to regularly report on the implementation of the control strategy and in particular on the "building blocks" for assurance gained from this implementation. A global assessment of the efficiency of the control strategy takes place in the context of the Annual Activity Report. Where appropriate, the control strategy will be amended in the light of past experience.</p>
<p>Monitoring of performance of independent bodies, 3rd party auditors, externally contracted auditors</p>	<p>National authorities carry out on-going evaluations principally to provide support to programming decision-making.</p> <p>In particular, evaluations should provide advice on how to improve the intervention approach in order to improve the ability of programmes to deliver on their higher level objectives.</p> <p>. Evaluations can take the form of:</p> <ul style="list-style-type: none"> – Ex ante evaluations (including impact assessments) – Interim evaluations – Ex-post evaluations (carried out by the Commission) – Ad-hoc evaluations. <p>.</p>
<p>High level management reporting (e.g. to the Director General and its role in monitoring problem issues)</p>	<p>Under decentralised management, the Delegation ensures the necessary contacts with the national authorities of the beneficiary country. Within the Commission, the reporting lines go from the Head of Delegation to the geographic Director and from the Director to the Director General.</p>

ANNEX 6: IMPACT AND RESULT INDICATORS

General objectives Cohesion Policy

1 Convergence: stimulate the growth potential and employment of the least-developed Member States and regions ³²		
Impact indicators	Latest known result	Target (result)
Additional real GDP growth thanks to the implementation of the period 2007-2013	Estimated overall increase in the level of GDP as compared to a scenario without Cohesion Policy: - in 2006: 0% - in 2009: 1.3% Estimated GDP increased by 11.3% ³³ by 2009 due to implementation period 2000-2006 ³⁴	Expected overall increase in the level of GDP as compared to a scenario without Cohesion Policy ³⁵ : - by 2016 by 12 % - by 2020 by 15.6%
Net jobs created thanks to the implementation of the period 2007-2013	Estimated increase in employment as compared to a scenario without Cohesion Policy - in 2006: 0 - in 2009: 1.3 million Estimated 5.6 million net jobs were created by 2009 due to the implementation period 2000-2006 ³⁴	Expected increase in employment as compared to a scenario without Cohesion Policy: - by 2016 by 9.5 million - by 2020 by 11.5 million
Lisbon index ³⁶	Index 39 in 2007 for all regions eligible for the Convergence objective	Index 50 for all regions eligible for the Convergence objective

2 Regional competitiveness and employment: strengthen regions' competitiveness and attractiveness as well as employment by helping them to anticipate economic and social changes		
Impact indicators	Latest known result	Target (result)
Jobs created (gross) Expected gross jobs created	730,000 gross jobs created in Objective 2 regions during the 2000-2006 period ³⁷ Key examples (from the national strategic reports) : Austria: 2840 jobs committed (2007-2009) Slovenia ³⁸ : 1054 jobs created (2007-2009)	775,000 gross jobs to be created in 2007-2013 in 20 MS ³⁹ Key examples Austria: 6,920 expected jobs (2007-2013) Slovenia: 33,900 expected jobs (2007-2013)
Lisbon index	Index 69 in 2007 for all regions eligible for the Regional competitiveness objective	Index 80 for all regions eligible for the Regional competitiveness objective

3 European territorial cooperation: promote stronger integration of the EU to support balanced and sustainable development		
Impact indicators	Latest known result	Target (result)
Disparities in GDP on border regions	1.48 (2006) and previously 1.54 (2004)	1.40 in 2013 along the borders between the EU-15 and recently acceded Member States

³² The first two indicators are based on estimates produced by the HERMIN model run by DG REGIO. Unless specified otherwise, the three indicators cover all the Member States eligible to the Cohesion Fund (including Spain), Eastern Germany, and Southern Italy.

³³ The figures show the cumulated increase in the level of GDP or employment from the beginning of the programming period. Hence, a division with the number of years involved will indicate the average yearly increase in the level of GDP or employment.

³⁴ For the period 2000-2006, the indicators cover the Member States eligible to the Cohesion Fund, i.e. the ten Member States who joined in 2004, Spain, Portugal, Ireland, Greece and Eastern Germany, and Southern Italy.

³⁵ In this model, the current economic downturn affects the baseline situation, but the percentage of increase due to EU Cohesion Policy remains unchanged.

³⁶ See Fourth Report on Economic and Social cohesion, May 2007

³⁷ Ex-post evaluation 2000-2006 (Work Package 2: Data feasibility study)

³⁸ Source: National strategic Reports

³⁹ Based on 100 OPs (AT, B, G, C, CZ, DE, FI, FR, EL, HU, IT, MT, NL, PL, PT, RO, SE, SI, SK and UK)

4 Pre-accession: assist candidate countries as well as potential candidate countries in their progressive alignment with the standards and policies of the European Union, including cross-border cooperation

Impact indicators	Latest known result	Target (result)
Improved capacity of candidate countries; monitoring of the recommendations of the reports	Situation of each country as assessed in the 2008 progress reports published in November 2009.	Progress as reported in the annual progress reports of the Commission on candidate countries

Specific objectives European Regional Development Fund

1 Supporting the generation of sustainable growth and jobs through investments and services, including development of financing instruments, raising productivity, competitiveness and innovation capacities of enterprises, in particular of SMEs.

Result indicators	Latest known result ⁴⁰	Target (result)
Number of SMEs receiving support and amounts provided to/invested by SMEs	<p>€ 22.06 billion of ERDF support to SMEs over the period 2000-2008, € 9,8 billion on support for innovation and RTD⁴¹</p> <p>140 597 enterprises directly supported in 2000-2006⁴²</p> <p>Key examples: In Germany, 7,500 enterprises provided with investment support (2000-2006) In Spain, EUR 13.6 billion new private investment induced (2000-2006)</p> <p>In Austria⁴⁵ (2007-2009): 1,800 projects supported; 75 R&D projects, out of which 11 concern new environmental technologies; 75 MW annual production from renewable energy</p> <p>In Slovakia⁴⁶: more than 400 SMEs supported; 16 industrial parks built (2007-09)</p>	<p>€ 44.8 billion ERDF funds foreseen 2007-2013 to support RTD, innovation, information society actions and entrepreneurship in SMEs⁴³ plus €15.2 billion for the information society⁴⁴.</p> <p>Key examples In Austria: target of 5,500 SMEs projects (2007-2013) target of 95 MW annual production from renewable energy</p>
Setting up of enterprises	<p>Key examples: 40,000 micro-enterprises created in Germany with the support of Structural Funds in 2000-2005</p>	<p>Number of start-ups supported in 2007-2013: 26,288 in A, CY, FIN, IRL, SE⁴⁷</p>

2 Improving accessibility and attractiveness of the regions and cities, through development of Research and Technological Development, communication and transport, environmental and social infrastructure.

Result indicators	Latest known result ⁴⁸	Target (result)																														
TRANSPORT																																
Time savings for road/rail for selected countries	<table border="0"> <tr> <td>CZ</td> <td>Rail</td> <td>20%</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Road</td> <td>7%</td> <td></td> <td></td> </tr> <tr> <td>ES</td> <td>Road</td> <td>3.7 million hours/year</td> <td>saved</td> <td></td> </tr> <tr> <td>PL</td> <td>Rail</td> <td>9%</td> <td></td> <td></td> </tr> <tr> <td>GR</td> <td>Athens metro</td> <td>70% (vs. car during peak hours)</td> <td></td> <td></td> </tr> <tr> <td>IRL</td> <td>Road</td> <td>40%</td> <td></td> <td></td> </tr> </table>	CZ	Rail	20%				Road	7%			ES	Road	3.7 million hours/year	saved		PL	Rail	9%			GR	Athens metro	70% (vs. car during peak hours)			IRL	Road	40%			<p>Average speed of interregional road trips: + 13 % (scenario 2030 with EU transport investment for the EU12 recently acceded Member States; increase as % of 2006)⁴⁹</p> <p>Average speed of interregional rail trips: + 8.8 % (scenario 2030 with EU transport investment for the EU12 recently acceded Member States; increase as % of 2006)⁵⁰</p>
CZ	Rail	20%																														
	Road	7%																														
ES	Road	3.7 million hours/year	saved																													
PL	Rail	9%																														
GR	Athens metro	70% (vs. car during peak hours)																														
IRL	Road	40%																														

40 Examples for selected countries where information is available.

41 Source: Certified expenditure as available from DG REGIO databases (expenditure codes 16 and 324)

42 In DE, GR, ES, IT, HU, PL, PT, GB, accounting for 60% of all programmes

43 Source: programme documents, expenditure codes 1,2,3,4,6,7,9 (mainly ERDF expenditures for these categories)

44 Source: programme documents, expenditure codes 10-15 (mainly ERDF² expenditures for these categories)

45 Source: National strategic Reports.

46 Source: National strategic Reports.

47 Source: National strategic Reports.

48 Examples for selected countries where information is available

49 Source: Fourth Report on Economic and Social Cohesion, May 2007

50 Source: Fourth Report on Economic and Social Cohesion, May 2007

Accessibility gain	<ul style="list-style-type: none"> Additional motorways built with ERDF: 24% of total (2020 km in the EU15) Kms of rail new/reconstructed: 4000 Additional high speed rail lines built with ERDF: 13% of total (290 km in IT, ES) Key examples: Modal shift to metro from car in Athens 24% Modal shift to Eco bus line in Funchal 9% Population served by Linha ECO in PT (urban transport): 80.000 Population served by Athens metro: 1.065.000/day Kms of road new/reconstructed: 100.000⁵¹ 	<p>Km of reconstructed road in 2007-2013: 2,813 in BG, IRL, SK⁵²</p> <p>Km of reconstructed rail in 2007-2013: 1,165 in BG, CZ⁵³</p>
ENVIRONMENT		
Additional population served by new/renovated: -Water projects	Additional population served by water supply projects: 14 million (in 14 MS) ⁵⁴	Additional population served by water projects: 9,500,000 (2007-2013) (in CZ, EE, ES, FR, EL, HU, LV, PL, PT, RO, SI, SK)
Additional population served by new/renovated: -Wastewater projects	Additional population served by wastewater projects: 20.4 million (in 14MS) ⁵⁵	31,500,000 (2007-2013) (in CY, CZ, DE, EE, ES, FR, EL, HU, IRL, LV, LT, PL, PT, RO, SI, SK)
INFORMATION SOCIETY		
Research jobs created	Austria ⁵⁶ : 115 (2007-2009)	72,700 (2007-2013) (in AT, BE, BG, CZ, CY, DE, EE, ES, FR, FI, HU, IT, IRL, LT, PL, RO, SI, SK, UK)
SOCIAL INFRASTRUCTURES		
Number of benefiting students Number of schools reconstructed	In Slovakia, 130 schools reconstructed	2,360,000 benefiting students (2007-2013) (in BG, DE, EE, EL, ES, FR, HU, IT, LT, MT, PL, SE, SK)

3 Developing regional and local potential through encouraging integrated development approach, capacity building, cross border and international cooperation and supporting networking, exchange of experience and cooperation between regions, towns and relevant social, economic and environmental actors.

Result indicators	Latest known result ⁵⁷	Target (result)
Number of networks and cooperation structures created.	12,000 networks and cooperation structures created or supported	Austria: 1255 cooperation projects foreseen (2007-2013)
Number of persons participating in educational activities	550,000 persons participated in educational activities ⁵⁸	

4 Supporting cross-border, transnational and interregional cooperation (European territorial cooperation) including cross-border cooperation between Member States and candidate or potential candidate countries.

Result indicators	Latest known result	Target (result)
Number of people getting employment on the other side of the border as a result of a CBC project	5 800 new businesses created 115 000 jobs created or secured (EU27) ⁵⁹	To be defined

51 Source: Ex post evaluation of 2000-2006: Work package 5a: Transport

52 Source: National strategic Reports.

53 Source: National strategic Reports.

54 Source: Ex post evaluation of 2000-2006: Work package 5a: Environment

55 Source: Ex post evaluation of 2000-2006: Work package 5a: Environment

56 Source: National strategic Reports

57 Examples for selected countries where information is available.

58 Source: Ex post evaluation of Interreg 2000-2006 initiative financed by the ERDF

59 Interreg ex post evaluation, covering all countries participating in the Interreg initiative.

Specific objectives Cohesion Fund⁶⁰

<p>1 Strengthen the economic and social cohesion of the Community in the interests of promoting sustainable development by:</p> <p>Developing the trans-European transport networks and in particular priority projects of common interest as identified by Decision No 1692/96/EC⁶¹</p>		
Result indicators	Latest known result ⁶²	Target (result)
TRANSPORT		
Time savings for road/rail for selected countries	<p>Key examples:</p> <p>Spain: road time savings of nearly 1.2 million hours of travel time per year. 1.8 million additional population served by the new and/or conventional railways. (2000-2006)</p> <p>Portugal: rail time savings are a 20-minute reduction by 100 km, up to 70 minutes in the principal national railway lines.</p> <p>Czech Republic: travel time savings of 23 % of the roads which have received support. (2000-2006)</p>	<p>Average speed of interregional road trips: + 13 % (scenario 2030 with EU transport investment for the EU12 recently acceded Member States; increase as % of 2006)⁶³</p> <p>Average speed of interregional rail trips: + 8.8 % (scenario 2030 with EU transport investment for the EU12 recently acceded Member States; increase as % of 2006)</p>

<p>2 Strengthen the economic and social cohesion of the Community in the interests of promoting sustainable development by:</p> <p>Supporting actions of Member States related to the environment and sustainable development clearly presenting environmental benefits (renewable energy, clean urban transport...).</p>		
Result indicators	Latest known result ⁶⁴	Target (result)
ENVIRONMENT		
Additional population served by new/renovated: -Water projects	Length of water supply network: 17,174 km (2000-2006) (in CZ, DE, EL, ES, IT, MT, PL, PT, SK)	Additional population served by water projects: 9,500,000 (2007-2013) (in 12 MS) ⁶⁵
Additional population served by new/renovated: -Wastewater projects	Length of wastewater network: 9,060 km (2000-2006) (in CZ, DE, EL, ES, PL, PT)	31,500,000 (2007-2013) (in 16 MS) ⁶⁶
Additional population served with improved urban transport		82 500 000 (2007-2013) (in 6 MS) ⁶⁷
RENEWABLE ENERGY		
Additional capacity of renewable energy production (MW)	<i>(The first data reported by MS will be received in 2010)</i>	1,950,000 (2007-2013) (for AT, CZ, DE, FR, GR, IT, MT, PL, SK, UK)

Specific objectives IPA/ISPA

<p>1 To assist candidate countries in building capacity for management of pre-accession assistance aiming to prepare for Structural Funds (for IPA regional component and IPA-cross border cooperation component).</p>		
Result indicators	Latest known result	Target (result)
Satisfactory implementation of 2007-2009 multi-annual operational programmes	7 multi-annual operational programmes adopted by the Commission, covering investments in "environment", "transport", and "regional competitiveness"	Successful implementation of programmes measured by the generation and implementation of good quality projects and full use of the financial resources available
Extension of multi-annual operational programmes to cover two additional years (2010-2011)	Financing agreements (triggering implementation of programmes) signed with all candidate countries;	Extension of 2007-2009 programmes with additional resources covering years 2010 and 2011; financing agreements amended accordingly
Satisfactory functioning of the decentralised implementation system under IPA component	Conferral of (decentralised) management powers decided by the Commission (November 2008 for HR and July 2009 for MK and TR) regarding	Satisfactory functioning of the decentralised

⁶⁰ The points made in for ERDF are equally valid for the Cohesion Fund. The expected outputs and results reported here relate both to the ERDF and the Cohesion Fund. Latest known results from 2000-2006 will only be available when the ex post evaluation of the Cohesion Fund is completed in 2011.

⁶¹ Transport infrastructures are mainly included in major projects drawing on several sources of financing, including projects in the framework of TEN-T.

⁶² Examples for selected countries where information is available.

⁶³ Source: Fourth Report on Economic and Social Cohesion, May 2007

⁶⁴ The 2007-2013 programming period was enlarged compared to previous period to also include new priorities, such as renewable energy, energy efficiency and clean urban transport. Therefore, there are no results expected on these areas for the 2000-2006 period.

⁶⁵ CZ, EE, ES, FR, EL, HU, LV, PL, PT, RO, SI, SK

⁶⁶ CY, CZ, DE, EE, ES, FR, EL, HU, IRL, LV, LT, PL, PT, RO, SI, SK

⁶⁷ CZ, FR, GR, IT, PL, SK

III	the operating structures in candidate countries responsible for the implementation of the programmes.	implementation system under IPA components III proved, including in particular public procurement and sound financial management (as verified by follow-up audits)
Signature of financing agreement with candidate countries for IPA-cross border cooperation (CBC) programmes with Member States	8 Financing Agreements signed. Two financing Agreements will not be signed in the future (for the cross-border programmes Greece-Turkey and Cyprus-Turkey, which are not functional).	Signature of 10 financing agreements for IPA-CBC programmes
Effective functioning of Joint Management Structures in place for the cross-border programmes (Joint Technical Secretariat, Joint Monitoring Committee and National Authority, National Contact Point, Group of Auditors)	All structures already set-up but not all of them fully operational.	Good implementation of the IPA cross-border programmes under shared management system (which is very similar to the ERDF cross-border management system)

2 To assist candidate countries to develop pipeline of mature projects to implement the strategy/priorities agreed in the multi-annual development programmes

- A. Enhancing transport infrastructure, in particular interconnection and interoperability with trans-European networks;**
B. Improvement of environment infrastructure, to promote compliance with the EU environment acquis, particularly waste management, water supply and urban waste water;
C. Enhancing regional competitiveness and productive environment to achieve social and economic development and creation of sustainable employment.

Result indicators	Latest known result	Target (result)
Rail sector <i>Croatia (IPA transport programme):</i> <ul style="list-style-type: none"> increased average train speed on the corridor X <i>Turkey (IPA transport programme):</i> <ul style="list-style-type: none"> completion high speed rail line Ankara/Istanbul extension of electrified rail lines Road sector <i>Former Yugoslav Republic of Macedonia</i> <ul style="list-style-type: none"> Km of new motorway completed 	70 km/h	103 km/h (by 2014) 54 km additional (by 2014) 160 km/h (by 2014) 27.75 km (by 2014)
Environment: <i>Croatia (IPA environment programme):</i> <ul style="list-style-type: none"> population served by the new waste management centres population served by the waste water treatment plants <i>Turkey (IPA environment programme):</i> <ul style="list-style-type: none"> number of municipalities benefiting from drinking water network services; number of municipalities benefiting from improved wastewater services; additional population served by drinking water projects; additional population benefiting from improved wastewater services; additional population receiving integrated solid waste management systems <i>Former Yugoslav Republic of Macedonia</i> <ul style="list-style-type: none"> population served by waste water treatment plant 	0 (2007) 0 (2007) 3159 (baseline value 2004) 319 (baseline value 2004) 0 (baseline value 2004) 0 (baseline value 2004) 0 (baseline value 2004) 0 (2007)	940,000 105,000 (direct and indirect effect) 3163 328 387 500 1 000 000 2 900 000 95,000 P.E. (designed capacity)
Regional competitiveness: <i>Croatia:</i> <ul style="list-style-type: none"> number of implemented projects for business related infrastructure development <i>Turkey:</i> <ul style="list-style-type: none"> Number of SMEs benefiting from shared facilities and from service facilities established under the IPA funded Regional Competitiveness programme Number of new enterprises established industrial sites 	0	20 (by 2014) 400 (additional) 300 (additional)
IPA-cross border programmes: <i>Programme "Slovenia-Croatia":</i> <ul style="list-style-type: none"> Number of projects developing joint use of infrastructure Number of projects encouraging and improving the joint protection and 	0 0	5 40

management of the environment <i>Programme "Bulgaria-Serbia":</i>		
• Assistance for project preparation – Feasibility studies	0	10
• Assistance for project preparation – Preliminary and detailed design work	0	7

3 Provide assistance to the preparation for accession to the EU of Croatia in the area of economic and social cohesion, concerning environment and transport policies

Result indicators	Latest known result	Target (result)
ENVIRONMENT		
Population connected to water and wastewater networks (Croatia)	Water: 76% (2006)	For the town Karlovac only: 100% of the waste water collected will be biologically and chemically treated and the connection rate to the sewerage system will increase from 75% to 95%-98%. The drinking water component will reduce the current 43% losses to 35% or 2% overall increase in water quality levels from the current 93% to 95%
Population benefitting from new regional waste management centre (in Bikarac)	Wastewater: 40% (2006)	
TRANSPORT		
▪ Railway average speed (Croatia)	48 km/h (passengers) (2005) 26 km/h (freight) (2005)	Reduction in average passenger journey times of 20-40 minutes from Zagreb to Belgrade (from currently 6h45 to between 6h05 and 6h25) The reduction in average freight times from Zagreb to Belgrade will be about 30 minutes from the current 14h00 to 13h30.

Specific objective Solidarity Fund

To grant assistance to Member States or countries negotiating their accession to the EU in the event of a major natural disaster with serious repercussions on living conditions, the natural environment or the economy for the financing of emergency operations undertaken by the public authorities in support of the affected population.

Result indicators	Latest known result	Target (result)
Number of population helped in overcoming a crisis situation where their living conditions have been affected	Inhabitants helped by the EUSF interventions in 2009: At least 80 000 people made homeless by the earthquake in Abruzzo. For the Province L'Aquila the agreement signed between the European Commission and Italy lays down the conditions for using the grant in the entire Province, most of the Abruzzo region, and the neighbouring regions. The aid helps to reimburse emergency operations, search and rescue, temporary accommodation project on the epicentre area around L'Aquila, schools in prefabricated buildings, temporary housing project for 17 000 persons and 80.000 people made homeless. The combination of these measures covers 100% of population	100% of population affected and eligible under the EUSF Regulation ⁶⁸ upon the Member States' request
Size of disaster-stricken area where rehabilitation has been assisted	Aid available for 100% of affected areas (choice of supported operations up to the beneficiary state)	100% of areas affected by the disaster and eligible under the EUSF Regulation upon the Member States' request

68 Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund