Structural Funds: Commission decides to cancel the financing for an investment in the region of Sicily, Italy

The European Commission decided today to cancel the financing granted to the Italian authorities for the construction of the Gibbesi dam because of irregularities. The Commission considers that the objectives of the grant have not been reached. As a result an advance of more than Euro 39 million must be repaid. The financing decision dates back to 1987. The construction works on the Gibbesi dam began in 1987 and were finished in 1992. However the work has not been made operational so far. The project of a planned industrial centre to be built in the municipal area of Licata was abandoned therefore the original purpose of the intervention has not been achieved. The Italian authorities were not able to present a date for the full operability of the project, which was funded by the European Regional Development Fund.

The provisions laid down for the European Regional Development Fund stipulate that the Commission may reduce or suspend assistance for a project if the examination reveals an irregularity and in particular a significant change affecting the nature or conditions of the operation or measure for which an approval has not been sought. The Commission’s decision to recover the grant for the Gibbesi dam is based on the following irregularities:

- Examination of the case confirmed that although the construction works have been completed since 1992 the project is still not operational, and that no foreseeable date can be given, even an approximate date, for full operability and exploitation of the dam. The Commission repeatedly informed the Italian authorities that, the only expenditure which could be considered was that relating to projects which were fully operational by the time the application for final payment was submitted.

- Moreover, a considerable change in the purpose and use of the works relative to that provided for in the grant decision was detected, for which the Commission’s prior approval was not sought.

Background

In December 1987, the European Commission approved a grant from the European Development Fund (ERDF) requested by the Italian authorities for the third stage of works on the Gibbesi dam. The purpose of the project was to create a reservoir by damming the river Gibbesi and to provide a reliable water supply to the planned industrial centre to be built in the municipal area of Licata. As a secondary objective, the project was supposed to contribute to improving irrigation of over 1,000 hectares. The ERDF represents 55% of the total project costs. The Italian authorities received advance payments for this project equalling

1 Article 24 of Regulation (EEC) No 4253/88 refers
approximately Euro 39 million. The payment does not encompass an amount of about Euro 10 million, which was foreseen as a final payment.

The construction works were finished in November 1992 and the Italian authorities asked for an extension of the deadline for presenting the final report and payment request in March 1995. In May 2000, the Italian authorities sent a report to the Commission referring to checks which had been carried out in the interim. The report stated that the project was not operational.

Following further information received with the final payment claim the Commission informed the Italian authorities in September 2001, of some points that could constitute irregularities and the possible cancellation of the grant decision. The region of Sicily confirmed that the original purpose of the project had changed but no indication was given that a different use for the Gibbesi reservoir had become operational.

The recent decision of the European Commission declares the grant decision of 1987 as unjustified, mainly because the project is not operational and the original purpose is not achieved. An amount of Euro 39 040 266 has to be paid back and an amount of Euro 9 760 066, not yet paid out, will be decommitted.

**Further information**

For further information about the structural funds, please see this website: http://europa.eu.int/comm/regional_policy/index_en.htm