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**Annex to the report from the Commission to the European Parliament on the follow-up
to 2005 Discharge procedure**

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INTRODUCTION

This Working Document completes the Report from the Commission to the Parliament on the Follow-up to 2005 Discharge Decisions {COM(2007)538 final}. It presents in detail the answers to the 163 specific recommendations made by the European Parliament in the comments accompanying its Resolutions on the 2005 Discharges.¹

¹ For each specific recommendation a reference is given to the relevant Parliament document. The references for recommendations 1-131 are all for the 2005 General Budget Discharge.

**Annex to the report from the Commission to the European Parliament on
the follow-up to 2005 Discharge procedure**

Statement of Assurance

1. The Commission is called on to take urgent steps to remedy the shortcomings noted by the Court of Auditors, such as errors in amounts registered in the accounting system (overstatement of the accounts payable and of the total amount of long-term and short-term pre-financings) and errors in the local accounting systems of some directorates-general, with a view to preventing them from affecting the reliability of the financial statements for 2006. The Commission should also provide the budgetary authority with six-monthly reports on the management of pre-financing operations. (§ § 3 ,4 and 8)

Commission's response:

The Commission is taking the recommended action. It has corrected, where possible, for the errors that were highlighted by the Court of Auditors during its 2005 audit. The Commission has also considered these errors and their causes while planning and performing its closure of the 2006 accounts, so as to try to avoid their recurrence.

Regarding the pre-financing reports the Accounting Officer of the Commission will furnish the budgetary authority with six-monthly reports on the pre-financing operations. It should however be pointed out that these will only be gross figures since the cut-off exercise, due to its complex and time-consuming nature, is performed only during the year-end closure process.

The Commission has continued the validation exercise for the local accounting systems of the Directorates-General during 2006 and 2007. Concerning the non-validation in 2005 of the systems of DG AIDCO, EAC and RELEX, considerable progress has since been made. For RELEX, the ABAC Delegations project has been completed by the end 2006 with the delivery of new IT tools fully ABAC compliant. For EAC, although it couldn't be validated for 2006, the deficiencies of the APPFIN local system were corrected by October 2006 so allowing the Director General to present its Annual Report for 2006 without a reservation to this respect. DG EAC continues its efforts to eliminate existing errors and to reduce the risk of creating new ones in the future. A permanent accounting sector has been created that regularly reviews the general ledger accounts and informs operational units (via a Task Force) about critical issues in the treatment of financial transactions. In addition management is regularly informed and Directors are meeting in a Task Force to monitor progress. For AIDCO the CRIS local system has also been rectified by the end of 2006 and put into production beginning January 2007. More in-depth testing took place in May 2007 to confirm this. At the same time, the validation was extended to 9 additional services. Concerning 3 out of these 9 services, namely DG TREN, JRC and DG INFISO, the validation was subject to a positive assessment of their cut off for the 2006 financial statements. In 2007, the Accounting Officer, after checking the cut-off procedures and finalising the validation reports for the three DGs INFISO, TREN and JRD, was able to issue clean validations, with one reserve for the JRC for the use of the common contracts data base.

2. The Commission is invited to inform the Committee on Budgetary Control which organisational changes it has taken or plans to take in order to allow the accounting officer to fulfil his duties under the new Article 61 of the Financial Regulation with regard to the check of the information received and the carrying out of any further checks necessary before signing off the accounts. (§ 5)

Commission's response:

The Commission will not be taking the recommended action as it is of the opinion that the structure, reporting lines and controls already in place within the Directorates-General, as well as the powers already attributed to the Accounting Officer will allow him to fulfil his duties under the said article.

3. The Commission should make the transactions via "unknown accounts" transparent and the funds credited to these accounts should be transferred back to the budget as other revenue. The Commission should also explain why the 'Economat' supermarket operating accounts operated outside the budget have still not been incorporated into the budget. (§ 6)

Commission's response:

The Commission is regularising such accounts by either closing the bank accounts or by integrating them in the Commission system.

In view of their origin, the Commission proposes allocating the funds coming from the operations of the Economat to specific actions of a social character. A series of projects were envisaged, on which the staff representatives within the Joint Committee on Social Actions ("COPAS") were consulted. The opinion of the COPAS reached the administration of the Commission at the beginning of May 2007, and the administration is currently preparing its final decision. The budgetary authority will be informed on the result through a Commission communication.

4. Where there is a shared management arrangement, responsibility for preventing, identifying and correcting errors at final beneficiary level lies with the Member States whilst at the same time the Commission is responsible for giving clear, efficient and effective guidelines to Member States on how to prevent, identify and correct these errors. (§ 14)

Commission's response:

The recommended action has been taken.

In shared management the Commission has asked Member States to ensure beneficiaries of Structural Funds are made aware of controls and the risk of cancellation of funding. Further guidance on information that Member States will have to send to the Commission on recoveries and withdrawals of funding following irregularities has been issued and an amendment has been made to the regulatory reporting provisions. Closure guidelines for 2000-06 programmes were issued by the Commission in August 2006. Guidance has also been issued

illustrating good practices in first-level management checks and checks by paying authorities.

5. The Commission should further improve its effective supervision of controls delegated to the Member States and when these control systems are still insufficient it should impose clear deadlines and apply sanctions where those deadlines are not met. (§ 15)

Commission's response:

The recommended action has been taken.

In agriculture, Article 2 of Commission Regulation (EC) No 885/2006 provides that any problem in the accreditation of the paying agencies shall be remedied within a period which, in general, shall not exceed 12 months.

Furthermore, in case of deficient national control systems, the Commission applies on an ex-post basis financial corrections. These encourage the Member States to ameliorate their controls.

Moreover, the Commission has recently presented a proposal to the Council to amend Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy (CAP). The proposal further simplifies the existing possibility for suspensions by including a provision for a new transparent and effective mechanism which will allow it to reduce or suspend payments to a Member State in case of serious and persistent deficiencies in the national control systems.

In the structural actions area, too, where the Commission finds deficiencies in systems it sets deadlines for carrying through the required improvements and failing prompt action can suspend payments or apply financial corrections.

6. The European Parliament is concerned at the renewed increase in outstanding commitments and calls for a higher rate of utilisation over the next three years. (§ 9)

Commission's response:

The Commission is taking the recommended action. The increase in outstanding commitments in 2005, in particular in the Structural Funds, was not unexpected. This was mostly due to the large increase in commitments for the EU-10 countries (in line with the Copenhagen profile), while payments made to these programmes and projects were still relatively slow in their start-up phase. This will change over the years as the new Member States move to cruising speed. Payments for EU-15 programmes and projects already reflect a high rate of utilisation.

With regard to the decommitments made from the European Social Fund contribution, the Commission points out that while they stand out in absolute terms, they are still relatively small (less than 2%) compared to the commitment tranches they refer to.

7. Calls on the Commission and the Court of Auditors to keep due account of beneficiaries applying for relatively small amounts for projects or organisations, which are, due to their size, not able to hire the necessary audit and evaluation expertise, in order to achieve the right balance between the costs of the project and the costs and manpower of auditing and reporting. (§ 11)

Commission's response:

The Commission is taking the recommended action.

Under the Action Plan towards an Integrated Internal Control Framework a new sampling approach for the Sixth Research Framework Programme seeks to prioritise the detection and correction of systematic errors among major beneficiaries while covering an appropriate representative sample of the audited population. This approach based on international standards, combines stratification with monetary unit sampling (MUS), and incorporates the correction of systematic errors with the detection of the global error rate via a statistical sample.

The Commission considers, however, that in principle no beneficiaries should from the start be excluded from the audited population, as the possibility of being audited may have a deterrent effect on the controls implemented by the beneficiaries.

National management declarations

8. The Commission should submit before the end of 2007 to the Council a proposal for a national (management) declaration covering all Community funds under shared management, based on sub-declarations by the various national bodies responsible for the management of expenditure. (§ 28)

Commission's response:

The Commission will not be taking the recommended action.

Given the different governmental structure and management structures for EU funds under shared management of the 27 Member States, the development of a single standard declaration would not yield significant benefits. The Commission will however continue to support such initiatives taken by national administrations.

Moreover, the revised Financial Regulation (Art 53, § 3) provides that "Member States shall produce an annual summary at the appropriate national level of the available audits and declarations" for shared management. Model declarations are also included in relevant sectoral legislation. These are major steps forward and are separate from the different initiatives to develop national declarations which are being taken by certain Member States. The Commission will review carefully the additional assurance which can be taken from the national summaries.

Point 44 of the IIA

9. The Commission should ask the Member States for the information referred to in point 44 of the Interinstitutional Agreement and draw up, on the basis of that information, a document analysing the strengths and weaknesses of each Member State's national system for the administration and control of Community funds and the results of the audits conducted, and forward that document to Parliament and Council. (§ §34 and 35)

Commission's response:

The Annual Activity Reports of Directorates-General contain an assessment of the functioning of management and control systems. In the reports of the Directorates General implementing funds in shared management, this assessment also covers the systems in Member States.

Suspension of payments and financial corrections

10. The Commission should simplify the rules and apply the existing legislation on suspension of payments in the cases where it is necessary, and inform the Council, Parliament and the Court of Auditors in good time concerning the suspensions of payments and their results. (§ 39 - **2005/PAR/1670)

Commission's response:

The Commission is taking the recommended action. Under the rules for the Structural Funds for the 2007-13 period a Director-General may interrupt payments to a programme for up to six months where there is evidence of a serious deficiency in the functioning of its management and control system or of a serious irregularity in a certified statement of expenditure. This will allow a more flexible and rapid response to such problems than the formal suspension of payments procedure, which requires the Commission first to give the Member State an opportunity to present its comments and the adoption of a formal Commission decision.

Under the rules for the agricultural funds EAGF and EAFRD, the Commission may decide to reduce or suspend payments to Member States. The Commission proposed in March 2007 to the Council an amendment to Regulation (EC) no 1290/2005. The proposal further simplifies the existing possibility for suspensions by entailing a specific provision on reductions and suspensions in case that one or more of the key components of the national control system do not exist or are not effective due to the gravity or persistence of the deficiencies found.

The Commission will continue to inform the Council, Parliament and the European Court of Auditors of suspensions and their results.

11. Payments should be fully or partly suspended in the case where Member States are not complying with basic requirements, as in the case of the IACS system in Greece, and where the Greek authorities do not remedy the existing problems within the time limits set, as scheduled by the jointly adopted action plan which the Commission has requested from the Greek authorities for a fully functioning IACS system. (§ 40)

Commission's response:

The recommended action has been taken.

In the framework of the clearance of accounts procedure, the Directorate-General for Agriculture and Rural Development will continue with an intensive audit programme and will as long as necessary impose financial corrections on Greece in order to protect the financial interests of the Community.

The Commission will closely monitor and supervise the implementation of the Greek Action Plan set up in 2006 at the explicit request of and in close cooperation with the Commission.

The Commission has recently presented a proposal to the Council to amend Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy (CAP). The proposal further simplifies the existing possibility for suspensions by including a provision for a new transparent and effective mechanism which will allow it to reduce or suspend payments to a Member State in case of serious and persistent deficiencies in the national control systems.

12. Individual Member States should apply similar control standards. (§ 41)

Commission's response:

The Commission is taking the recommended action. The Commission has been making efforts to harmonise control standards in the Structural Funds for some years. It has issued audit manuals and discusses audit methodology at annual bilateral meetings with Member States and at general meetings with national audit bodies. In the legislation for the 2007-13 period the Commission secured a harmonisation of the sampling methodology to be used in audit work and improvements in the reporting of audit results. It is revising the audit manual to incorporate the new requirements and provide guidance on the application of international audit standards. It is also publishing a sampling guide. Coordination of audit standards is an action (16c) under the Commission Action Plan towards an Integrated Internal Control Framework.

In 2006 the Commission issued notes of good practice on the day-to-day verifications by managing authorities and the checks to be performed paying (for the 2007-13 period "certifying") authorities. Standards for the work of winding up bodies, which provide an opinion on the reliability of final expenditure declarations for programmes, have been set out in the closure guidelines for the 2000-06 period (C(2006) 3424).

13. In the case of shared or decentralised management, the Commission should fully apply Article 53(5) of the Financial Regulation, thus assuming final responsibility for the execution of the budget, in line with article 274 of the EC Treaty, by means of 'clearance-of-accounts or financial correction mechanisms'. (§ 42)

Commission's response:

The recommended action has been taken.

This is normal practice for the Commission under the shared management mode.

14. Given the multiannual character of expenditure in Community programmes, it is only at the end of a multiannual cycle that the Commission can proceed to the application of 'clearance-of-accounts procedures or financial correction mechanisms', whose aim is the a posteriori rectification of errors detected, if comprehensive and clearly comprehensible documentation on programme implementation is available. The Commission should undertake financial corrections as soon as uncorrected irregularities are detected by the Member States, without waiting for the end of the multiannual cycle. (§ 43)

Commission's response:

The Commission is taking the recommended action. The requirements for documentation on programme implementation at closure are set out in the guidelines for the closure of 2000-06 Structural Fund programmes (C(2006) 3424). The closure documentation must include details of uncleared irregularity cases so that they can be monitored until the corrections are made. The Commission covers the mechanisms for reporting and correcting irregularities in its systems audits. It recommends Member States to take action on irregularities immediately, in order to maximise the chances of recovering the funds.

15. Final decisions and corrective measures (liquidation of accounts for the EAGGF (Guarantee), closure of the operational programmes under the Structural Funds, and completed audits for the decentralised management of external actions) should constitute a major instrument in the control and monitoring systems. (§ 45)

Commission's response:

The Commission is taking the recommended action. It carries out these processes with the necessary rigour to make them as effective as possible in eliminating undue payments.

16. As a result of the principle of efficient and effective use of appropriations, there must be effective recovery. Improved recovery would provide proof of the effectiveness of EU penalties and further boost the European institutions' credibility. (§ 48)

Commission's response:

The Commission is taking the recommended action. To make up for deficiencies in information on recoveries, the Commission in 2006 clarified the obligations of Member States in this area through a guidance note on recoveries and an amendment of Regulation 448/2001 (Regulation (EC) 1978/2006) and in 2007 it requested the Member States to send it the information in a structured manner. The Commission is also improving the availability and quality of the information on recoveries it makes itself.

17. Effective recovery can only take place via the Member States' enforcement agencies and therefore, in connection with recovery, Member States' costs for their enforcement agencies should be taken into account. (§ 49)

Commission's response:

The recommended action has been taken.

Under the Commission Regulation (EC) 438/2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/999 as regards the management and control systems for assistance granted under the Structural Funds, the managing or the paying authority shall keep an account of amounts recoverable from payments already made and ensure that the amounts are recovered without unjustified delay. However, the establishment of a separate enforcement agency designated to have as its distinct responsibility the

enforcement of recoveries per se is not required in the 2000-2006 sectoral legislations for the Structural Funds.

Under Article 32(2) of Regulation 1290/2005, 20% of any undue EAGF expenditure recovered from the beneficiaries may be kept by Member States "as flat-rate recovery costs", and under art 32(6) of that regulation Member States can decide not to pursue a recovery if the costs to be incurred total more than the amount to be recovered.

The ongoing action 10 of the action plan towards an integrated internal control framework, which aims at assessing the costs of controls in shared management, takes the costs incurred in connection with the work of the management and paying authorities associated with the detection and the correction of amounts paid out into account. The results will be reported via the final progress report in early 2008.

18. In order to improve the recovery rate, the identities of debtors who have been found liable by the courts and can no longer appeal but are unwilling to make payment should be revealed. (§ 50)

Commission's response:

The recommended action has been fully taken into account by the Commission, in accordance with the amendment No 20 proposed by the European Parliament in the resolution of 13 February 2007 on the revision of the Implementing Rules of the Financial Regulation. In this regard Article 81(4) of the Implementing Rules of the Financial Regulation states that "The Commission shall establish a list of Community entitlements stating the names of the debtors and the amount of the debt, where the debtor has been ordered to pay by a Court decision that has the force of res judicata and where no or no significant payment has been made for one year following its pronouncement. The list shall be published, taking account of the relevant legislation on data protection."

19. The Commission, for its part and in the light of the Court's severe criticisms, needs to take all appropriate action in order to prevent errors and irregularities in occurring in the first place and should not put more emphasis on final financial correction mechanisms which, as the Court notes, have serious weaknesses and "cannot be regarded as mechanisms to ensure the prevention and timely identification and correction of errors" (paragraph 1.64 of the annual report of the European Court of Auditors). (§§ 44 and 51)

Commission's response:

The Commission is taking the recommended action. It considers checks on underlying transactions at source by management before expenditure is declared for reimbursement and preventive measures such as guidance and information activities as of paramount importance. The Commission's system of conformity clearance in the CAP provides an incentive for the Member States to carry out their control tasks as well as possible by refusing to pay for expenditure not meeting the required conditions.

Within the CAP the ongoing process of reforming the policy with a further shift to direct payments is in itself a considerable improvement in preventing errors and irregularities. Direct payments are controlled under the integrated administration and control system, IACS, which, as recognised by the Court of Auditors, is the most efficient control system within shared management. In addition, the Commission has reinforced the CAP control systems and imposed more strict control reporting by the Member States, which is analysed by the Commission and discussed with Member States in view of further improving controls.

In the Structural Funds area the Commission is seeking to prevent irregularities by getting managing bodies to give beneficiaries better guidance and to make them aware of the risk of controls and the penalties for declaring irregular expenditure. In January 2007 it wrote to Member States urging them to step up such information activities and in 2006 it disseminated good practice notes for day-to-day checks by managing bodies and for checks of payment claims by the paying authority. These actions were part of the Action Plan towards an Integrated Control Framework.

20. The Commission should supply both Parliament and the Court of Auditors with an explicit definition of the different concepts grouped under the term 'financial correction mechanisms', as well as with the amounts actually involved in the corrections of 2005. (§ 53)

Commission's response:

The Commission is taking the recommended action. For the structural actions area it intends to present the information in the 2006 Annual Report on the Implementation of the Structural Funds to be published in October 2007.

21. The Commission should submit in future a detailed annual report including the amounts actually involved in the financial corrections. (§ 54)

Commission's response:

The Commission is taking the recommended action. The 2006 annual accounts of the European Communities already include information about the financial corrections requested by the Commission. For 2007, it is foreseen to add further information concerning the financial corrections made by the Member States.

The Commission's internal control system

22. The second half-yearly scoreboard on the implementation of the Action Plan towards an integrated internal control framework should be communicated to Parliament before 1.1.2008. (§ 56)

Commission's response:

The Commission will provide a mid-term scoreboard in July 2007 and a final report on the implementation of the action plan in early 2008. The final report will take a first look at the impact of the different actions on assurance and will draw conclusions for the future consolidation of the Integrated Internal Control Framework. As the time limit for certain actions is end-December 2007, the Commission will require a limited time to assess and bring together the results of the different actions and it will therefore not be possible to deliver the final report before early 2008.

23. Some of the actions in the Action Plan towards an integrated internal control framework have not even been started and there is thus already a degree of delay with regard to the planned calendar, particularly concerning Actions 7, 9 and 10. (§§ 57 and 61)

Commission's response:

As with any such ambitious plan, the initial plans need to be revised in line with experience. The Commission's intention is to complete all actions by the original deadline of 31 December 2007, thus recuperating any delay incurred in some actions. The Commission will provide a mid-term scoreboard in July 2007 and a final report on the implementation of the action plan in early 2008. The final report will take a first look at the impact of the different actions on assurance and will draw conclusions for the future consolidation of the Integrated Internal Control Framework.

24. Parliament stresses the importance of Opinion No 2/2004 of the Court of Auditors regarding the Single Audit Model, namely as regards the need to ensure the coincidence between the level of authority that legislates, finances and benefits from controls (point 24), as regards proportionality between costs and benefits of controls (point 25) and as regards transparency of controls (point 26). (§ 62)

Commission's response:

The recommended action has been taken.

The Commission's recent progress report on the action plan makes it clear that further work on the cost-benefits of control is necessary and specified further sub-actions in this area.

25. The Commission, in line with the principles of proportionality and cost efficiency (value for money) of the control systems, should evaluate the relationship between the resources available for each particular policy and the part of those resources

dedicated to the control systems broken down by area of expenditure, and any resources lost thanks to errors thus detected. The Commission should send this comparative analysis to Parliament, Council and the Court of Auditors. (*Garriga - §§ 63, 64 and 67*)

Commission's response:

Actions 10 and 11 of the action plan towards an integrated internal control framework aim at assessing the costs and the benefits of controls. For shared management a methodology for estimating the costs of control has been agreed and a survey launched for agriculture and structural funds. A new sub-action was launched with the objective to determine whether recovery and offsetting systems are working effectively, by identifying amounts recovered in 2005 and 2006 and their coherence with errors identified during controls. Furthermore, the Commission will, in direct management, develop a typology of error and the relationship with recoveries, financial corrections and adjustments to payments, while for shared management it will examine the reliability of national monitoring and reporting systems. The results will be reported via the final report in early 2008.

However, there is no commitment for a specific comparative analysis under the action plan.

26. The Commission should fully disclose to the public the methods it uses for the determination of the rates of error, and pursue an interinstitutional dialogue on audit methodology. (§ 65)

Commission's response:

The recommended action has been taken.

Error rates and materiality criteria are already disclosed by the Directorates-General to some extent in their annual activity reports. Furthermore, the Commission considers the discussion of methodology to determine error rates as a matter of priority in the ongoing inter-institutional discussion and in its working relations with the ECA. Specific issues include the definition of formal errors and errors with significant financial impact, and the extrapolation of errors. In particular, a common understanding of the latter would considerably advance agreement on the multi-annuality of the control systems. The Commission will pursue the ongoing dialogue with the Court of Auditors in this area.

Political responsibility and administrative responsibility at the Commission

27. The differing information content of services' annual activity reports is a hindrance to this procedure and the Court of Auditor's stated that some of those reports still do not include sufficient evidence for its statement of assurance (paragraphs 2.15, 2.18 and 2.19 of the annual report for 2005). (§ 69)

Commission's response:

The Commission will pursue its internal efforts to harmonise the presentation of management and internal control systems and better explain the consequences of the reservations expressed in the annual activity reports. It will also continue developing indicators by "families" of services on legality, regularity and sound financial management by "families" of services.

Already for the 2006 exercise, Directorates-General were asked to follow a revised presentation of the factors leading to assurance (internal control template), which provided a clearer link between the results of control and assurance. The Commission is also determined to clearly set out and communicate to the budgetary authority reservations on the global assurance, including where relevant by sector or Member State, together with the corresponding financial corrections or suspensions of payments.

The Commission understands the concern of the European Parliament and notes that differences of views between the Commission and the European Court of Auditors have already appeared in the past. The fact that a Director General has a reservation does not make it impossible for him to express a reasonable assurance on the management, provided that the reservations are duly motivated and that indications are given on the impact of the reservations relating to the use of resources and the legality and regularity of the underlying operations. Indeed, reservations are to be seen as a sign of both transparency and accountability.

28. The Commission should ensure that its annual activity reports and statements go into much greater detail - where possible on the level of the individual Member States - in the evaluation of the existing systems, the shortcomings detected by them and their financial impact. (§ 70)

Commission's response:

The Commission considers that the current annual activity reports provide important and comprehensive information on existing systems, weaknesses detected and their financial impact. The Commission is gradually implementing a better structured and more homogeneous presentation of the internal control systems of the Directorates-General.

The presentation of Director-Generals' assurance at the level of the individual Member States is already Commission practice in cases where reservations refer to control weaknesses in particular Member States.

29. The Commission should ensure that its Secretary-General, when preparing the synthesis report, draws up a statement of assurance which includes reference to the statements of each of the directors-general, with the aim of making express mention of their assistance to the Commissioners in the adoption of that report. (§ 71)

Commission's response:

As already expressed in the past, the Commission cannot accept this recommendation. A declaration of assurance delivered by the Secretary General of the Commission would not increase the accountability of the Commission as it would create confusion and possible overlapping in the different tasks and responsibilities. The Commission's 2000 reform centred on ensuring Authorising Officers by Delegation were solely responsible for the execution of their activities. The division of management responsibilities between Authorising Officers by Delegation and the collegiate structure is incompatible with the possibility of one Director General judging the reliability of another's work.

The decentralisation ensured clear lines of responsibility by ensuring that the Director General has the final word on his or her Directorate-General's control systems and is responsible for the financial management in the Directorate-General. Such a declaration of the Secretary General would pose a serious risk of interference by the Secretary General in the normal relationship between individual Commissioners and their Director General.

A synthesis report signed by the Secretary General would actually downgrade a document that is now formally adopted by the College. By adopting this synthesis in its current form, the Commission assumes its political responsibility for management by its Directors General and Heads of Service, on the basis of the assurances and reservations issued by them in their annual activity reports.

30. The Commission should determine what actions are needed to ensure the full involvement of the Commissioners to evaluate political risks, as called for by the internal auditor in its annual report for 2005, while at the same time clarifying the relationship between the directors-general and the Commissioners, and to supply full information on the matter to Parliament. (§§ 72 and 73)

Commission's response:

The Commission agrees that Commissioners' involvement in the analysis of the political risks is a key component in the Commission's accountability architecture. It considers that this is already being implemented satisfactorily as Commissioners play an active role in the risk analysis embedded in the Annual Management Plan of their departments.

This analysis is an integral part of the discussions taking place at least twice yearly between the Commissioner and the Director General, in line with the Code of Conduct. The Commissioner is therefore duly involved at political level. He could not be further involved in the management of the risks without going against the separation of tasks and responsibilities between Commissioners and Directors-General.

Moreover, in the framework of the Commission's Synthesis Report an initiative has been launched aiming at establishing effective and comprehensive risk management making it possible to identify all major risks at service and Commission level and to lay down appropriate action to manage them, including disclosing resources needed to bring major risks to an acceptable level. Based on a pilot exercise on cross-cutting risks carried out in 2006, the Commission established a peer-review process for managing such risks.

31. All Commissioners should give the same importance to sound financial management and with some exceptions, they should be better prepared for hearings concerning the 2006 discharge procedure in the Budgetary Control Committee of Parliament. (§ 74)

Commission's response:

The Commission accepts the recommendation. Nevertheless, it considers that sound financial management is already a key element of its management and that equivalent importance is given to it by all its Members. The Commission is making considerable efforts to communicate its views to the European Parliament and to improve its participation in the Budgetary Control Committee.

32. The debate on the European transparency Initiative should be launched quickly so that any necessary measures become effective at the start of Parliament's new term in June 2009 and the Commission's new term in November 2009. (§ 75)

Commission's response:

The debate with the other Institutions on the rules and standards on professional ethics of public office holders in the European Institutions will be based on the results of the study commissioned by the Commission services. Nevertheless, at this stage, the Commission can not prejudge the future measures to be adopted following the results of this debate.

33. The Commission should fill the gap that now exists as regards transparency and ensure that the Commissioners' binding code of conduct incorporates the necessary ethical rules and the principal guidelines to be observed by Commissioners in the conduct of their office, in particular when appointing colleagues, especially to their 'cabinets'. (§ 76)

Commission's response:

La Commission ne peut pas, à ce stade, accepter la recommandation et considérer qu'il est prématuré d'envisager des modifications ponctuelles spécifiques.

La Commission considère que le Code de conduite en vigueur inclut déjà les principes éthiques et des règles à respecter adéquates. Comme la Commission l'a déjà indiqué, une éventuelle modification du Code de conduite des Commissaires devrait prendre en compte les résultats de l'étude commandée par la Commission, ainsi que les résultats du débat Interinstitutionnel qui sera ensuite lancé.

34. The Commission should pay due attention to and propose solutions for, in the framework of the Transparency initiative, the fact that a substantial number of former

and actual high ranking members of staff in sensitive positions have left the Commission, sometimes on unpaid leave, to join lobbyists and law firms for example representing clients who are either under investigation by the Directorate-General for Competition or appeal against fines imposed on them. (§ 77)

Commission's response:

The Commission does not feel that there is a gap to fill in the existing ethical rules and guidelines.

Ensuring the highest standard of professionalism and excellence among its staff is of the utmost importance for the Commission. In this respect, it considers that the Staff regulations and correspondent monitoring and control mechanisms provide the appropriate legal framework to rule conflicts of interest. Under these rules, the Commission can, before authorising a period of unpaid leave, take all necessary measures to avoid any possible conflict of interest.

Concerning the specific case mentioned, the Commission has already provided the necessary answers (see WQ 4503/06).

35. The Commission's transparency initiative should lead to practical action and legislative initiatives which in turn result in transparency in the use and management of EU funds. (§ 78)

Commission's response:

The Commission accepts the recommendation. It has already launched a certain number of initiatives in this area, such as the publication of information on beneficiaries of EU grants.

36. Parliament's Administration, in collaboration with the Committee on Budgetary Control, should be involved in further deliberations for drawing up the specific legislative initiatives aiming at transparency. (§ 80)

Commission's response:

The Commission can not accept the recommendation.

The European Parliament is already called upon to formulate its opinions within the decision making process for EU legislation.

37. The Commission should do its utmost to encourage the Member States to allow public access to information concerning projects and recipients of all EU funds which are subject to 'shared' management. (§ 81)

Commission's response:

At the level of Member States, where disclosure of payments under shared management is feasible, publication practices concerning individual beneficiaries of public funding vary.

The Commission proposes to amend Council Regulation (EC) N° 1290/2005 setting out rules for the financing of the Common Agricultural Policy with respect to direct payments, market measures and rural development to oblige Member States to publish this data, including in rural development expenditure.

Meanwhile, the Commission's Agricultural and Rural Development web site provides since 8 November 2006 a page with links to Member States' web sites to the extent they publish data on beneficiaries. This page is linked to the website on EU funds under direct management launched by the Commission in 2006. This ensures equality of treatment as between direct and shared management programmes.

In accordance with the new provisions of the Financial Regulation and the applicable sector specific legislation, those Member states who have not yet done so will be obliged to grant public access to data, through national websites and other means they see fit, for all shared management programmes.

For the Structural Funds, under the legislation for the 2007-13 Financial Perspective period, inclusion in a published list of beneficiaries with details of funding received is now required in all cases as a condition of funding. The Commission intends to disseminate this information through links to national programme websites.

38. A simple and transparent system should be set up to access all the information on recipients of EU funds, via a central and easily accessible website. (§ 81)

Commission's response:

Substantial advances have been made in the provision of information on beneficiaries of centrally managed funds.

Since 2006, the Commission has published information on the beneficiaries of Community funds in two mini-portals, one related to grants (http://ec.europa.eu/grants/index_en.htm) and another one related to contracts (http://ec.europa.eu/public_contracts/index_en.htm).

In addition, a new sub-section has been created in the EUROPA "Agencies" portal (http://europa.eu/agencies/public_contracts/index_en.html) providing similar information related to the Agencies.

Concerning the area of shared management funds the Commission is taking the necessary measures at the legislative level in order to assure equality of treatment with the centralised management funds' domains. Reference is made to the answer to the previous recommendation.

39. The Commission should as swiftly as possible instruct the Member States to standardise the information concerning agricultural funding placed on the internet, so that it can be compared across the board between Member States. (§ 83)

Commission's response:

The Commission is taking the recommended action.

For Common Agricultural Policy, Council Regulation (EC) N° 1290/2005, which sets out rules for the financing of the Common Agricultural Policy with respect to direct payments, market measures and rural development, is in the process of being amended in order to oblige Member States to publish this data including rural development expenditure, in line with the revised Financial Regulation.

Meanwhile, the Commission's Agricultural and Rural Development web site provides since 8 November 2006 a page with links to Member States' websites to the extent they publish data on beneficiaries. This page is linked to the website on EU funds under direct management launched by the Commission in October 2006. This ensures equality of treatment as between direct and shared management programmes.

Common standards for the publication of data will be defined in the implementing rules.

40. The Commission should complete the process of achieving greater transparency by allowing for easy access to information on who is represented in expert groups and what their tasks are. It should also publish the names of those people who take part in these groups, and the names of the special advisers which the individual Commissioners and/or Directorates-General and/or 'cabinets' have engaged. (§§ 85 and 86)

Commission's response:

The Commission is making efforts to improve access to information related to the composition of expert groups that it uses in its work. Information is not provided centrally through a common central database but by the Directorates-General responsible for managing the groups of experts concerned. Information concerning certain groups of experts is also published in the Official Journal.

The list of special advisers engaged by the Commission is available on the President's web page.

Revenue

41. Calls on the Commission to deal with the greater number of pending reservations in the VAT statements for 2005 with the Member States in the context of the regular meetings of the Advisory Committee on Own Resources, and inform the competent committee of Parliament of the measures it has taken or intends to take with the ultimate objective of eliminating those reserves. (§§ 88-89)

Commission's response:

The reservations are not in the VAT statements for any year but are placed by the Commission, in control reports, on items in Member States' annual VAT statements. The Commission continues to examine with the Member States both individually and in the Advisory Committee on Own Resources, how they may be helped to provide more rapidly the information that the Commission needs in order to lift reservations.

42. As regards the GNI own resource, calls on the Commission to take action, as a matter of urgency, to remedy the shortcomings identified by the Court as regards the monitoring of the underlying national accounts and the automatic inclusion of Financial Intermediation Services Indirectly Measured (FISIM) in the own resource decision, for GNI own resource purposes. (§§ 90-94)

Commission's response:

The Commission will take the action recommended by the Court with respect to the monitoring of national accounts. In addition to its current verification procedures, the Commission will perform more direct verification of selected national aggregates in the sense indicated by the Court during the 2007-2009 round of GNI verification missions that has started in 2007.

Concerning Financial Intermediation Services Indirectly Measured (FISIM), the Commission will present a proposal for including allocated FISIM in GNI for own resource purposes when it considers that all Member States are able to implement this adjustment in a uniform manner, which is expected to occur in 2008.

43. Urges the Commission to step up post-payment checks and to ensure that irregular payments are recovered. (§97)

Commission's response:

The recommended action has been taken.

The ex-post checks are carried out based on Regulation (EEC) No. 4045/89 which provides for an ex-post control system which is a complement to the sectoral pre-payment systems for a range of CAP measures. The system constitutes an extra layer of control that provides an assurance that transactions have been carried out in conformity with the rules or otherwise allows recovering any unduly paid amounts detected.

In the last years' inspections, potential irregularities have been detected corresponding to 0,2 % of the value of expenditure subject to controls. This very low rate of irregular payments indicates that the pre-payment controls have been implemented correctly. Such an indication clearly contributes to the assurance that the transactions financed by the CAP have been properly controlled.

DG AGRI being responsible for the overall monitoring of the Regulation receives each year various communications from the Member States (e.g. risk analysis proposals, annual programmes, annual reports, overview of payments to undertakings in other Member States etc.). This information is then analysed and acted upon. In addition, DG AGRI carries out many missions each year in the Member States to assess the application of the Regulation on-the-spot. DG AGRI is generally satisfied with both the administrative framework in which controls are performed and the quality of controls carried out.

Nevertheless, significant improvements were made recently in order to step up the post payment checks: the number of on-the-spot missions carried out annually was increased, statistics were improved (Regulation 40/2006 was adopted in order to provide for more reliable and comparable statistics on the application of ex-post checks) and the ex-post scrutiny package (a guideline on how to carry out ex-post checks) is in the process of being updated.

Moreover, action was taken to improve information on the recovery of irregular payments under Regulation 4045/89.

44. Notes the current problems with the implementation of IACS in the new Member States audited by the Court. Calls upon the Commission and those Member States to do all they can to remedy the weaknesses detected. (§99)

Commission's response:

The Commission is taking the recommended action

The GIS (geographic information system) is the key element of the IACS and was functioning in all 10 new Member States in 2005. However, in some cases the level of detail of the GIS has not fully met the required standard. The Commission has outlined ways for improving the system in the new Member States concerned. The Commission is carrying out audits on the remedial action by Member States on improvements of the GIS as well as in other technical areas. The ex-post clearance of accounts procedure is an appropriate and proportionate measure to cover the potential risks that such deficiencies can cause to the Fund.

In 2007, three audit missions concerning three new Member States have been scheduled. Moreover, two desk audits are foreseen.

45. Notes the serious shortcomings in the checks relating to rural development, in export refunds and especially in the olive-oil sector in Spain, Greece and Italy. Calls upon the Commission to carry out before the end of 2007 more stringent checks in those areas and to inform Parliament before the 2006 discharge procedure on the outcome of these checks. (§100)

Commission's response:

The Commission is taking the recommended action. However, the Commission does not agree that there are "serious shortcomings" in checks relating to the rural development and the export refund sectors. Moreover, information on the below described actions will, in line with normal practice, be available in the Annual Activity Report (which is also available to the Parliament).

As regards rural development and the deficiencies found by the Court, the Commission services have examined the replies of the Member States and have identified the areas where there are potential problems. These have been included in the audit plan for present or future enquiries. Furthermore, for each of the years 2005 and 2006 37 audits covering expenditure for rural development measure were carried out by DG AGRI.

The Commission takes the view that the system of physical and substitution checks (for goods receiving export refunds) is contributing sufficiently well to provide reasonable assurance for the underlying transactions. In the period 2005-2007 the Commission services have carried out 36 audit missions touching on export refunds in 19 Member States. The latest available data in respect of the regulatory physical controls performed in 2005 (financial years 2005 and 2006) show an error rate by value of less than 0.23%. This seen in conjunction with Commission's own findings and the absence of substantive findings in the Court's DAS, would indicate that the risks are far less serious than alleged.

Nevertheless, the Commission services are not all complacent and continue through the clearance of accounts procedure to ensure that Member States perform physical and accounting checks to the required quality and quantity, and pay particular attention to prevent physical controls becoming predictable. In order to further improve the system, the Commission intends to amend the legislation on physical checks to make them less predictable and to reduce the risk of substitution.

The GIS (geographic information system) is the key element of the IACS and was functioning in all 10 New Member States in 2005. However, in some cases the level of detail of the GIS has not met the required standard. The Commission has already outlined ways for improving the system in the new Member States concerned. The Commission is carrying out audits on the remedial action by Member States on improvements of the GIS as well as in other technical areas. The ex-post clearance of accounts procedure is an appropriate and proportionate measure to cover the potential risks that such deficiencies can cause to the Fund.

Regarding the olive oil sector, audits of the Commission conducted in the context of the clearance of accounts procedure since 2003 have established similar shortcomings to those identified by the Court of Auditors (weaknesses in the olive Geographic Information System and in the control of the yields). Member States have been informed about the deficiencies and clearance of accounts procedures will continue. At this stage, 280 millions of euros have been corrected in all 3 Member States and even more significant amounts are in the pipeline.

As from 2006, the major part of the olive oil production aid has been integrated in the single payment scheme (only some 6% of the aid remain coupled in Spain). Aid is thereby no longer paid on the basis of the quantity produced but is based on area. Consequently, the olive oil parcel is to be considered as a "classical" agricultural parcel which is controlled within the framework of the IACS. This should significantly reduce any risk of error.

It is recalled that the pre-payment controls of market measures are complemented by additional post-payment checks pursuant to Regulation (EEC) No 4045/89. The very low rate of irregular payments found in these post-payment checks indicates that the pre-payment controls have been executed correctly.

Structural measures, employment and social affairs

46. The Commission should publish all the information concerning the beneficiaries of EU funding and information on beneficiaries from all other Union's policies in such a way that it is easily accessible, including for the wider public, and to ensure that information from different Member-States can be compared. (§ 102)

Commission's response:

The Commission partially accepts the recommendation. Since November 2006, the Commission's web site has provided links to Member States' web sites that publish data on beneficiaries. This site will, in turn, be linked to the website on EU funds under direct management launched by the Commission in 2006.

The Commission is envisaging a single portal allowing access to the available information and not a central database that would require disproportionate resources for the same level of effectiveness.

47. The Commission should effectively perform its supervisory role on the checks delegated to the Member States and remedy this shortcoming as a matter of urgency (see also paragraphs 6.26 and 6.29 of the 2005 Court of auditors' annual report). (§ 104)

Commission's response:

The Commission is taking the recommended action. It carries out its supervisory role on an ongoing basis through audit work, coordination activities, and the dissemination of guidance and good practice. Where it finds weaknesses in Member States' systems, it makes recommendations for improving them and in serious cases agrees remedial action plans which it closely monitors. If the weaknesses persist, it will suspend payments to the programme or Member State concerned. To correct past expenditure that has been affected by the system deficiencies the Commission asks the Member State to check this expenditure and to make corrections.

48. For the purposes of sound financial management and the DAS, the main issue is not so much the errors detected as the existence of adequate supervision systems which will enable the Commission to carry out proper monitoring of the risks to the Community budget and to make the appropriate financial corrections. (§ 105)

Commission's response:

The Commission is taking the recommended action. In keeping with its supervisory role, the Commission is focusing on bringing about improvements in the systems and on making the control system as a whole more effective. The Action Plan towards an Integrated Internal Control Framework has given further momentum to this process. The annual activity reports of the Directorates General provide their assessment of the effectiveness of the control systems in different Member States based on the Commission's extensive audit work and indicate the cases where the Community budget is seriously at risk.

49. The Commission should supervise closely the action taken by the authorities of the small group of Member States still knowing problems giving rise to recurrent reservations, and ensure that such action is appropriate, and keep Parliament's competent committee reliably informed regarding progress made. (§ 106)

Commission's response:

The Commission is taking the recommended action. For Member States and programmes on which reservations are entered in the Director General's annual declarations and other systems showing serious deficiencies the Commission monitors closely the implementation of agreed action plans. It informs Parliament both through the annual activity reports and in the discharge procedure.

50. The Commission should do all in its power to ensure that the Member States comply correctly with the requirement to supply on a systematic basis the information which they are required to submit periodically to the Commission concerning cancellations and amounts recoverable (§ 6.36. of the 2005 Court of Auditors' annual report), and not make any payment unless the Member States' authorities have supplied the requisite information. (§§ 107 and 108)

Commission's response:

The Commission is taking the recommended action. In 2006, to clarify the requirements it issued a guidance note on recoveries and amended Regulation 448/2001 on financial corrections with Regulation 1978/2006. In January 2007, it wrote to all the Member States requesting information on recoveries, pending recoveries and withdrawals according to a standard template. The Commission may consider suspending payments if Member States fail to supply the required information.

51. The Commission - in line with paragraphs 38 et seq of Parliament's Resolution and in view of the absence of guarantees from one Member State - should apply the Community rules on the suspension of payments in its capacity as the body ultimately responsible for the sound financial management of Community funds. (§ 110)

Commission's response:

The Commission is taking the recommended action. In April 2007, the Commission suspended payments of ERDF to certain programmes in England. It will consider suspensions in other cases where appropriate.

Internal policies

52. Regrets the fact that, according to the Court, there are still within the field of direct management by the Commission the same problems as in earlier years (errors in expenditure reimbursed, complexity of applicable rules and lack of an effective penalty system), and calls upon the Commission to continue its efforts to simplify and further clarify the rules for shared-cost programmes, in particular as regards time recording commensurate with documentation effort (Court of Auditors' annual report for 2005, paragraph 7.29), to do its utmost, in a suitable dialogue with recipients of financial assistance, to clarify the rules, manuals and forms applicable and to ensure that the existing penalty system is effectively and appropriately applied whenever necessary (where appropriate by proposing the changes necessary in order to make the system more effective), and, in addition, to improve the scope and quality of and follow-up to the audits of national agencies' systems through improved information and mutual exchanges (Court of Auditors' annual report for 2005, paragraph 7.29, and Parliament amendment to Article 35a (new) of the reformed Financial Regulation implementing rules¹); calls on the Commission to explain to the budgetary authority, in a catalogue of specific measures, how it intends in its current term of office to obtain an unconditional statement of assurance in the area of direct management. (§ 111)

Commission's response:

The Commission fully shares the concerns expressed by Parliament on the persistence of problems detected in earlier years, accepts its recommendations and recalls that these problems largely stem from the complexity of the applicable regulatory framework, which remained for the most part unchanged from previous years.

The Commission has taken further steps on the issues identified.

Namely, in the Research area:

On the simplification of the rules for the reimbursement of costs, the FP7 rules for participation and the model grant agreement adopted by the Commission on 10 April 2007 under the Seventh Framework Programme are already an important simplification compared with previous Framework Programmes. Further steps have been taken. In particular, on 4 June 2007, the Commission decided on the use of lump sums for International Cooperation Partner Countries within grant agreements for indirect actions, concluded under the Seventh Framework Programme of the European Community (Document reference C/2007/2287).

On the requirements for time recording of researchers, they were made more flexible since the Sixth Framework Programme. Beneficiaries could support their claim for staff costs with either time sheets or any other adequate evidence. Furthermore, for the Seventh Framework Programme, the requirements for time recording of researchers are clearly specified in the terms of reference for the certificates of financial statements and on methodology annexed to the Grant Agreement and have to be certified by the auditors.

As regards the effort to clarify the rules for the Seventh Framework Programme, since April 2007 the Commission published four of the six chapters of the Guide for beneficiaries, including in particular the Guide on financial issues, and plans to finalise all and make available the remaining chapters in September 2007. The mechanism of sanctions in case of breach of the contractual obligations has been reinforced in line with the recommendation of the Court. In particular, under the Sixth Framework Programme, the Commission was entitled to claim liquidated damages from a contractor who is found to have overstated expenditure, but this was not an obligation. Under the provisions of the Seventh Framework Programme, a beneficiary that is found to have overstated its cost claims is liable to pay damages, except in exceptional cases.

In relation to National Agencies the decisions establishing the new generation of programmes in education, training, and youth, provide for a comprehensive set of checks and controls regarding respect of procedures and internal control mechanisms in order to assure and verify the regularity and legality of transactions as well as the reality and eligibility of activities.

The decision of whether to make a positive statement of assurance on direct management is for the European Court of Auditors to make based on the results of its own work. The Commission is working to progressively improve its internal control framework in order to reduce the incidence of errors with the intention that this will improve the Court's judgement on the effectiveness of the framework. Where significant weaknesses are identified in control systems, these are reported via reservations in the Annual Activity Reports which must also define actions to address these weaknesses. Specific efforts which are being made to address identified gaps in the centralised direct management field are set out in the Commission's Action Plan towards an Integrated Internal Control Framework (progress is set out in the First Progress Report - COM(2007)86).

More audits are being carried out in 2007 in the Research policy area and a multi-annual strategy of ex post audits has been established, based on international sampling standards and aimed at ensuring systematic improvements in major beneficiaries' cost claims while covering an appropriate representative sample of the audited population. Furthermore, "agreed upon procedures" have been developed to provide a compulsory set of procedures for all audits for the Seventh Research Framework Programme. These actions are expected to lead to a reduction in the error rate through improved prevention, detection and correction.

53. As regards transport, the European Parliament regrets slow project implementation for TEN-T; calls for the auditing 20 % of all TEN-T projects; expresses concern at the error rate found for research contracts in the field of transport, which is above the average error rate, and calls for remedial action in this area; notes with concern that the payment utilisation rate for transport safety (74 %) and for Marco Polo (53 %); invites the Commission to forward to the Parliament and the Council each year a more detailed description of expenditure against each budget line compared with the comments made in respect of each line. (§§ 112-118)

Commission's response:

The slow implementation is a fact that can be more understandable if put in the specific TEN-T context, i.e. major infrastructure investments with considerable budgets, focused often on particularly complicated assignments, where delays are indeed frequently part of the implementation.

In 2004, when DG TREN started auditing Trans-European network projects (TEN), the sample initially selected covered more than 35% of the total costs of the projects finalised in 2003. The aim of maintaining this target was fixed at this time together with the intention of covering 20% of the projects finalised. After issuing the drafts of the first batch of 20 audits, DG TREN realised that for cost-efficiency reasons the target of auditing 20% of the projects was not pertinent since audits on TEN-T projects are rarely followed by financial adjustments because audit adjustments are compensated by eligible costs in excess of the amount foreseen in the decision. DG TREN decided to stick to its audit policy of auditing a large part of the budget and to cover as many beneficiaries as possible but with a risk based approach and with reasonable audit costs.

The Commission has reduced the requested payment appropriations for Marco Polo to adapt them to a slower payment rate and organised information sessions for potential beneficiaries in order to increase the commitment rate. The impact of these measures is being monitored closely.

DG TREN annual activity report provides exhaustive data concerning financial execution and comments regarding potential under execution.

54. As regards environment, public health and food safety, the European Parliament calls on the Commission to take steps to promote further assistance to applicants in the context of multiannual programmes; welcomes the efforts to better focus calls for tenders and to provide more assistance to applicants in order to avoid the submission of project applications which are clearly not eligible for funding or of poor quality; notes that further work is needed in order to attain a satisfactory situation; invites the Commission to examine the different stages of implementation with a view to bringing the implementation cycle forward in the year; calls on the Commission to continue its efforts to improve its own procedures which have an impact on the implementation of payment appropriations. (§§ 119-122)

Commission's response:

The Commission is taking the recommended action. As from 2007, most of the administrative management in the public health area, significantly the call for proposal, has been delegated to the Public Health Executive Agency. This agency has established National Focal Points for disseminating information on the calls for proposals and tenders, organising information days related to calls for proposals and tenders and providing assistance to potential beneficiaries.

As for the execution of payment credits, reports on budget implementation are presented and discussed in a budget committee. The level of implementation is closely monitored and is improving with a higher level of payments already in 2006

compared to 2005 and forecasts of continuous increase of payments in 2007 compared to 2006.

The delayed adoption of the new integrated LIFE+ Regulation (Regulation (EC) No 614/2007 of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for the Environment (LIFE+)) will have consequences for the budget implementation in 2007, in particular as regards payment appropriations for grants .

The call for proposals for 2007 will be published in September 2007. The comprehensive guide 'how to apply for funding' comprising detailed guidelines and application templates in different languages existing for the previous LIFE III programme is being updated to facilitate the application process under the new LIFE+ Regulation. The Commission participates in information meetings on LIFE+ organised by Member States or groups of stakeholders and has organised its own information meeting in the framework of the Green Week event in June 2007. Member States will be invited to assist the applicants as well. It is envisaged that gradually novelties will be introduced in relation to the major call for proposals. Electronic submission of applications will be encouraged. When obligatory signatures or annexes are missing applicants will be given the opportunity to resubmit and complete within short notice. The Commission is also launching a call for tender to organise, for the coming years, specific training on project preparation and management in all Member States.

55. In the area of culture and education, further explore possibilities of simplification of requirements to be fulfilled by an applicant under the new multiannual programmes such as Youth in Action, Europe for Citizens and Culture 2007; consider whether to standardise contract award procedures under flat-rate arrangements; make further efforts to monitor the work of each of the 99 national agencies involved in programme management and which in a number of cases have revealed considerable short-comings in the auditing procedures applied; expects the work of the Education, Audiovisual & Culture Executive Agency to bring about improved operational procedures; believes that the cost of the checks carried out must be made commensurate with their effectiveness in order to establish the optimum relationship between the resources invested in the implementation of Community policies and those earmarked for the purpose of conducting checks. (§§ 123-127)

Commission's response:

The Commission is taking the recommended actions. With a view to simplifying application and award procedures as well as other operational procedures, the Commission will, in close cooperation with the Education, Audiovisual & Culture Executive Agency (EACEA), further explore and apply the possibilities given by the Financial regulation, notably the use of flat rate amounts and Commission decisions to finance programmes, taking due account of the relevant stakeholders and their specific operational conditions.

Significant improvements are being implemented as regards the supervision of National Agencies. The decisions establishing the new LifeLong Learning and Youth in Action programmes foresee ex-ante declarations of assurance issued by the National Authorities. The declarations enable the Commission to get assurance

from the national authority that minimum requirements set out in legal bases and developed in the Guide for the National Agencies have been fulfilled, and allow an early detection of possible problems as well as swift implementation of remedial actions. Particular attention is given to the follow up of recommendations resulting from previous system audits. In addition, the National Authorities will issue declarations of assurance on an annual basis covering the actual functioning of systems and procedures, the sound use of resources as well as the correctness of the financial statements and the legality and regularity of the underlying transactions.

The control of actions implemented through the National Agencies will be organised according to the single audit approach. The Guide for the National Agencies containing description of primary checks and control objectives for 2007 has been issued. It will be completed with methodological instructions by 31/07/2007. The guidelines to the national authorities on the yearly declarations will be issued by 30/09/2007.

An increased use of flat rates grants and scale of unit costs will reduce the risks of errors and the costs of controls. Both EACEA and DG EAC will still carry out a limited number of audits on their projects. To this end, the audit strategy will be revised by 31/10/2007.

56. Wishes to ensure that communication support for information campaigns which are established in cooperation between Member States and the Commission follows the principle of additionality and asks the Commission to request certification from Member States demonstrating that financial support does not serve to simply replace Member States' financial support for national measures concerning EU information policy. (§ 128)

Commission's response:

The Commission will continue its current policy aimed at ensuring the additionality of its funding for communication actions to be channelled via management partnerships with the Member States.

Therefore, while negotiating a management partnership with national authorities, the Commission will secure a political commitment from the national authorities involved in the negotiation that the activities carried out via the management partnership will not simply replace activities previously carried out directly by the Member State . This requirement will be part included in internal procedures for all future negotiations by 01/07/2007.

57. As regards culture and education, calls on the Commission to ensure that, when allocating aid, national agencies do not depart from the general criteria, as occurred in Poland in the case of a project involving young homosexuals, that due regard is taken of Article 13 of the EC Treaty and that, if programme criteria have been infringed, recovery of EU funds will be an option to take into consideration. (§ 129)

Commission's response:

The recommended action has been taken. The Commission has in various decisions outlined the rules applicable to the programmes in general and to the implementation through National Agencies in particular. In the specific case appropriate action including increased controls for the immediate future has been taken following the results of a detailed examination carried out by the Commission.

58. As regards women's rights and gender equality, reiterates demand for gender mainstreaming to be taken into due consideration as a priority objective in budgetary planning, in accordance with the principle of gender budgeting, and calls on the Commission to provide data for evaluation; repeats its demand for the information on gender mainstreaming policies and gender specific data to be included in the budget discharge reports; regrets that the Commission has not supplied this information; draws attention to the absence of data relating to activities promoting gender equality that have received Structural Fund support and calls on the Commission to remedy this situation; considers that greater attention should be paid to promoting women's participation in the knowledge society and, consequently, to the high-quality training and employment of women in the field of information and communication technologies. (§§ 130-131, 133-134)

Commission's response:

The Commission is currently carrying out a study to examine existing experiences with gender budgeting and explore the feasibility of gender budgeting at the EU level. Certain evaluation reports in relevant policy areas also specifically address gender issues.

Concernant la période 2000-2006 la Base de données commune des Fonds Structurels (SFC) comprenait une catégorie (25) pour le suivi des dépenses programmées relevant des activités en faveur de l'égalité des genres. Pour la nouvelle période de programmation 2007-2013, la catégorie 69 "mesures visant à améliorer l'accès à l'emploi et à accroître la participation durable et la progression des femmes dans l'emploi pour réduire la ségrégation fondée sur le sexe sur le marché du travail, et mesures visant à concilier vie professionnelle et vie privée, notamment en facilitant l'accès aux services de garde des enfants et aide aux personnes dépendants" permet également d'avoir des données concrètes.

DG INFSO has launched a "shadowing activity" to attract young girls to follow careers in ICT. The shadowing days were compiled into a video which was presented by Commissioner Reding to the press and main stakeholders on 8 March 2007, International Women's Day. Shadowing is going to continue in 2007. A study was also commissioned to identify Best Practices in ICT companies in order to attract and retain women in their work force.

59. Welcomes the noteworthy progress achieved by the Commission as regards annual targets for the recruitment and appointment of women to management and other A*/AD level posts in the Commission administration; urges the Commission to maintain efforts in this domain. (§ 135)

Commission's response:

La Commission a maintenu ses efforts en 2006 vis-à-vis de la nomination et du recrutement des femmes aux postes d'encadrement supérieur, intermédiaire et dans les autres postes de catégorie AD en adoptant des recommandations concrètes vis-à-vis de certaines DG où les femmes étaient particulièrement sous-représentées, en adoptant des mesures contraignantes (rapporteur spécial "égalité" dans chaque panel de sélection de l'encadrement intermédiaire et monitoring étroit de ceux-ci, obligation de formation à l'égalité des chances F-H pour les managers, etc.) et en assurant un suivi de la mise en oeuvre du 4ème Programme d'action pour l'égalité des chances entre femmes et hommes. Elle poursuit cette action en 2007 en adoptant des objectifs de nomination et de recrutement des femmes tout en renforçant les instructions strictes aux DG et à la DG ADMIN dans le cadre de cette politique."

60. In the area of freedom, security and justice, improve low levels of implementation of payments in the future. (§ 136)

Commission's response:

En 2006, sur les lignes opérationnelles, le taux d'exécution de la DG JLS a atteint 96,3 % en crédits d'engagement (532,8 M€ pour un budget de 553,2 M€) et à 88,4% en crédits de paiement (508 M€ pour un budget de 574,7 M€). Selon les prévisions pour 2007 le taux d'exécution atteindra 96% pour les crédits d'engagement (le niveau lié surtout au VIS) et 65% en crédits de paiement, ce qui est dû notamment à l'adoption tardive de nouveaux instruments juridiques dans ce domaine.

61. Regrets the fact that, according to the Court, the Commission has still not managed to introduce a reliable system for the recording of personnel costs in the research sphere; considers that 'it is essential that there is a clear requirement in the grant agreements to substantiate the working time of personnel involved in the action' (paragraph 7.7 of the annual report). (§ 137)

Commission's response:

The Commission acknowledges that the modalities for the substantiation of the personnel costs to be charged to research projects are a frequent source of discrepancies and errors. It has taken significant steps aimed to adequately address this issue.

The contractual provisions foresee that all costs claimed are adequately substantiated by the contractor. In particular, for personnel costs under the Fifth Framework Programme, beneficiaries were contractually required to produce time sheets. This proved to be overly rigid and resulted in numerous practical difficulties for a significant number of contractors, namely for universities and public research centres.

The Commission took these difficulties into account, considered there was a need for flexibility and accepted the use of equivalent alternative solutions. Under the Sixth Framework Programme all eligible costs must be determined in accordance

with the contractor's usual accounting principles. Working time to be charged had to be recorded throughout the duration of the project through any effective tool, including time sheets, in accordance with the contractor's normal accounting rules.

For the Seventh Framework Programme, the requirements for time recording of researchers are clearly specified in the terms of reference for the certificate of financial statements and for the certificate on the methodology annexed to the Grant Agreement and have to be certified by the auditors. Employees will have to record their time on a daily/weekly/monthly basis. If no time records are available this should be listed as an exception in the main report of the auditor.

Furthermore the Commission has entered in a technical dialogue with the Court of Auditors aimed to identify and discuss issues which may result in divergences of views regarding the nature and the financial impact of errors found on Research-related transactions. This exercise is expected to clarify as far as possible the respective views so as to reduce, or possibly eliminate, the resulting divergences.

The Commission is confident that this initiative will contribute to further clarify and reinforce the methodology applicable to the recording of personnel costs, hence reducing both the number and importance of errors.

62. Notes with concern that, despite its high cost, the audit-certificate system has in 2005 not yet provided the hoped-for guarantees, since the Court has detected erroneous statements relating to staff costs and general expenditure, in respect of which 'clean' audit certificates have been issued; notes however that the quality of the audit certificate has improved after the requirements for these certificates were published; invites the Commission to further develop suitable criteria for audit certificates in order to improve their usefulness. (§ 138)

Commission's response:

The Commission agrees that the audit certificate system needs further development in order to fully provide the expected level of assurance and, therefore, accepts the recommendation.

Accordingly, the Commission has implemented measures to reinforce the effectiveness of the system.

Firstly, the Commission is improving support to certifying entities, beneficiaries and operational services within the Commission. Secondly, for the Seventh Framework Programme, it has introduced two further measures: (1) "agreed upon procedures" which consist of a compulsory set of procedures to be used by certifying auditors; and (2) optional certification of the cost calculation methodology, i.e. the methodology used by the beneficiary to calculate direct personnel costs and indirect costs. These measures are expected to ensure, before payments are authorised, that beneficiaries' costing methodologies comply with the contractual provisions.

The certification on the methodology will be implemented via two routes: the full methodology certification (covering personnel and indirect costs) and the

methodology certification of average personnel rates. While the first is optional according to Commission eligibility thresholds, the second one is compulsory for any beneficiary who will charge personnel costs through average rates rather than actual rates

63. In the area of research, encourages the Commission to speed up the implementation of the measures provided for in the above mentioned Action Plan towards an Integrated Internal Control Framework, in particular Action 7 (Promote best practices for increasing the cost-benefits of audits at project level). (§ 139)

Commission's response:

The Commission accepts the recommendation. Please refer to the report from the Commission to the Council, the European Parliament and the European Court of Auditors on the progress of the Commission Action Plan towards an Integrated Internal Control Framework, dated 7 March 2007 [COM(2007)86] for a summary of the progress made.

In particular, as far as action 7a is concerned, on the use of "agreed upon procedures" in the research area the Commission adopted on 10 April 2007 the general model grant agreement to be used in research projects funded under the Seventh Framework Programme. Its Annex VII includes two compulsory forms requiring that the certifying auditors undertake its work in accordance with the International Standard on Related Services ('ISRS') 4400, Engagements to perform Agreed-upon Procedures regarding Financial Information as issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The Commission services have drafted these Forms after having consulted the Fédération Européenne des Experts Comptables (FEE), the professional body responsible for the audit and accounting function in Europe.

This decision is the culmination of the Commission extensive efforts to improve the quality and reliability of the audit certification system, optimising the level of assurance provided by the certifying auditors.

64. Calls upon the Commission to fulfil the requirement of the FP7 rules for participation to introduce a flat-rate payment procedure, inter alia, and to inform its competent committee in the framework of the midterm review. (§ 140)

Commission's response:

The Commission accepts this recommendation.

The complexity of simplifying detailed legislation in terms of eligibility requirements, and the advanced stage of negotiations, meant that limited simplification was possible for the 2007-2013 programming period.

The Commission is working towards a simplification of the reimbursement system, exploring the use of flat-rates and lump sums where appropriate. Nevertheless, the determination of flat rates and lump sums which are representative of the real

costs incurred by scientists from different specialisations across the EU is a very complex task.

A first tangible step has already been taken in this direction. On 4 June 2007, the Commission decided on the use of lump sums for International Cooperation Partner Countries within grant agreements for indirect actions, concluded under the Seventh Framework Programme of the European Community (Document reference C/2007/2287).

The Commission intends to report progress, at the latest at the time of the mid term review, on the effectiveness of the new actions initiated under the Seventh Framework Programme and of the efforts made with regard to simplification.

65. In the area of research, regrets the fact that, according to the Court, there continues to be uncertainty owing to excessively general contractual provisions and a lack of clarity, particularly in the case of the criteria for the granting of subsidies and the independence of auditors responsible for certification, and notes that the Commission has undertaken to simplify the Community framework and to rejig the use of audit certificates; (§ 141)

Commission's response:

The Commission remains committed to use the leeway for simplification afforded by the applicable regulatory framework and to take measures to improve the effectiveness and reliability of the audit certification system. Please refer to the responses to the recommendation in paragraphs 138 to 140 above for details on the actions taken.

Furthermore, in order to address the problems inherent to the complexity of the contractual provisions and lack of clarity, the Commission has implemented an alternative approach to obtaining reasonable assurance.

The errors resulting from these problems can only be detected by means of detailed, on the spot audits. The Commission has devised a common ex-post audits strategy for the Sixth Framework Programme (FP6) to increase assurance on the legality and regularity of the financial operations on a multi-annual basis. This strategy is aimed at ensuring the accuracy of a sizeable proportion of the expenditure by substantially increasing the number of ex-post audits so as to audit contracts with the most significant beneficiaries, i.e. those receiving the highest financial contributions. The results of these audits will be thoroughly followed-up and implemented; recovering from the beneficiary any amount unduly paid and extrapolating any systemic error detected to all other, non-audited contracts with the same beneficiary. Furthermore, the Commission would apply liquidated damages if the auditee fails to implement audit results on systematic errors. This strategy is expected to ensure that the level of "residual" (non-detected) error is significantly reduced. The audited contracts will include: (1) the approximately 200 contractors representing the largest share of the budget (collectively the contracts concerned represent over 40% of the budget); (2) a representative, value-based random sample from the remaining population; and (3) a risk-based sample focusing on potentially riskier contractors.)

Concerning the auditor professional qualifications and independence, these are a mandatory requirement under the model Grant Agreement. Public bodies, education establishments and research organisations may have recourse to a competent public officer rather than a professional external auditor. In this case specific precautions are taken to ensure their independence, in accordance with the applicable practices in the Member State concerned.

66. In the area of research, notes that the Commission's Internal Audit Service considers there to be a risk that undue amounts will not be identified on account of the fact that there is no effective checking system in operation during the process of releasing budget commitments, for which reason it calls upon the Commission to adopt suitable monitoring measures. (§ 142)

Commission's response:

In response to the observations and recommendations issued by the Internal Audit Service, the services have implemented adequate monitoring measures. In particular, the applicable check-lists have been revised, guidelines have been issued and a helpdesk function has been introduced to provide further support to operational units (help desk). In addition, reports on "sleeping" commitments and analysing recovery orders issued are regularly produced in order to help operational directorates in their own monitoring and to facilitate the follow-up of recovery orders.

67. Calls for an investigation to explain in greater detail to what the low payment implementation rate for the Daphne programme may be attributable (58%). (§ 132)

Commission's response:

L'écart entre les dotations et l'exécution réelle des crédits de paiement provient de la difficulté d'estimer les besoins réels pour les dossiers RAL, ce qui entraîne des paiements inférieurs en fonction des dépenses acceptées. Cependant il est important de noter que le taux d'exécution des crédits de paiement en 2006 a été augmenté, et s'élevait à 77%

External actions

68. Priority must be attached to ensuring that Community policies which have an impact on developing countries are consistent, for which purpose the division of labour within the Directorates-General responsible for running external actions must be clarified. (§ 144)

Commission's response:

The Commission will not take the recommended action. The reason for this is that the Commission considers that the division of responsibilities in the RELEX Family is optimal: the existing situation is efficient and cooperation is excellent.

The division of responsibilities in relation to third countries and regions is logical and based on both geographic and thematic parameters:

Commissioner Michel: ACP countries and humanitarian aid;

Commissioner Ferrero-Waldner: all countries other than the ACPs (including the Neighbourhood Policy);

Commissioner Mandelson: Trade;

Commissioner Rehn: Enlargement.

The implementation tasks for the countries under Commissioner's Ferrero-Waldner and Michel are carried out by EuropeAid under Commissioner Ferrero-Waldner's responsibility and in close cooperation with Commissioner Michel.

69. Notes with concern that, according to the Court, the risk analyses carried out by EuropeAid did not take into account the risks represented by the various types of implementing body (NGO, international organisation, government institution, etc.) and the financing methods used (subsidy, budget support, trust fund, etc.); calls on the Commission to establish greater clarity, through more discriminating reporting, as to the effectiveness of individual assistance instruments; proposes with regard to the issue of aid for developing countries that the introduction of a system of stages be looked into, the aim being that at the first stage, by assisting individual projects, the basic preconditions for granting budget aid, i.e. a form of democratic budgetary control plus independent auditing structures, are also established. (§ 145)

Commission's response:

The criteria mentioned by the Court are already taken into account by EuropeAid in its approach to risk management, at various levels. This includes the feed-back of lessons learnt during implementation in the design and operation of the control systems. Concretely this is reflected for instance in EuropeAid audit strategy and Annual Audit Plans or in the improvements introduced in the terms of reference for expenditure verifications. The Commission will endeavour to further reinforce the current mechanism and better communicate the basis of its analyses.

70. Calls upon EuropeAid to implement a programme of checks applicable to the implementing bodies and to devote all its efforts to ex-post audits on the various NGOs with which it cooperates. (§§ 146-147)

Commission's response:

Paragraph 8.12 of the annual report refers only to the ex post transactional controls and hence, the Commission has clarified that it does not concern ex post audits. Ex-post transactional controls are second level, optional controls which are intended to provide additional assurance in relation to and within the "limits" of the elements which are controlled. Their purpose is, on a sample basis, to assess whether the authorising officers carried out the required checks, for instance in relation to a payment to an "implementing body". They are not intended to duplicate the checks already carried out or to be a substitute for other components of the control system. It is also worth noting that the Court has made no recommendations concerning the ex post transactional controls in Chapter 8 (External Action) of its Annual Report relative to the actions financed from the General Budget resources.

71. Welcomes the Commission's statements on the incomplete implementation of certain budget headings, in particular 21 02 03, 21 02 05, 21 02 07 02, 21 02 07 03 and 21 02 13. Calls, however, for a further increase in efforts to implement the budget in full. (§155)

Commission's response:

The Commission acknowledges some delays in these programmes, which are rather difficult to implement. Further attention has been given to the full procedure, including a tighter monitoring process, in order to improve implementation.

72. Is concerned at the fact that, as regards the effectiveness of TACIS programme expenditure, the Court maintains that at the end of 2005 the Commission was unable to determine how the programme had contributed to improving the safety of nuclear power stations (paragraph 8.36 of the annual report); regards such a criticism as extremely serious, since it reveals a lack of guarantees as regards the fundamental, priority aspect of Community action - i.e. value for money; awaits with interest the evaluation of the contribution made to improving safety in the various nuclear power stations under the TACIS programme, which the Commission began in 2006. (§ 148 & § 167)

Commission's response:

In the implementation of the new Instrument for Nuclear Safety Cooperation (2007-2013) each funded project will be evaluated through a number of adequate management and impact assessment indicators (Key Performance Indicators). These indicators will be applied for all kind of projects (improvement of the power plants, nuclear wastes). They will be discussed with the beneficiaries and end-users for facilitating the evaluation of the impact and the ownership of the implementation. To improve efficiency of the Commission's investments, projects will be implemented in several Nuclear Power Plants (NPP). This multi NPP

approach aims to reinforce the dissemination of the results and increase the transfer of safety culture. Studies to evaluate the improvement of the safety of the VVER type of reactors in Ukraine and Russia (and consequently, the impact of the Tacis nuclear safety programme) will be launched in collaboration with Regulatory Authorities of Ukraine and Russia under the leadership of the IAEA.

73. Notes the Court's criticisms concerning the limited use made of the Common Relex Information System (CRIS), from which little or no financial information is extracted upon which to base a more detailed risk analysis (paragraph 8.6 of the annual report); calls upon the Commission to remedy the weaknesses in the CRIS as a matter of urgency and to exploit the system's full potential in order to obtain the information required for control systems. (§ 149)

Commission's response:

Information from CRIS allows relevant analyses to be performed in relation to the needs of EuropeAid, including by type of implementing organisation or management mode. The criteria for risk analysis mentioned by the Court are already taken into account by the Commission. This is for instance reflected in the risk analysis related to the establishment of the Annual Audit Plan. The system is being constantly refined in line with evolving management needs.

74. As regards implementing organisations, calls on the Commission to ensure that, in particular, public procurement procedures which are required are carried out and that no double entries occur. (§§ 143 and 157)

Commission's response:

The Commission is aware of the risks at project implementing organisation level and has taken a number of measures over the last years to mitigate its potential effects. These include the use and improvement of standard contract provisions. In early 2006 for instance the standard grant and fee-based service contracts have been revised. They now include standard terms of reference (ToR) for auditors to perform expenditure verifications to be submitted by the beneficiaries of Community funds prior to final payments. These new terms of reference have been revised so as to reinforce the verification of compliance with the contract terms including those relating to public procurement procedures.

75. Criticises the fact that, in the case of the Lesotho Highlands Water Project, the Commission has evidently not taken any decision pursuant to Article 93(1)(e) of the Financial Regulation (exclusion from the award of contracts); expects the Commission now to take and announce the appropriate decisions by June 2007 at the latest and to submit a comprehensive report on the affair to Parliament, together with the European Investment Bank (which is also involved), in September 2007 at the latest which also makes it clear what efforts have been made to recover monies. (§§ 150-151)

Commission's response:

Two legal entities, which were convinced by res judicata judgments by the courts of Lesotho were declared ineligible, on the basis of article 93, Financial Regulation,

and article 2(3) EDF General Regulations (adopted by Decision n° 2/2002 of the ACP-EC Council of Ministers), for future EC financed contracts. These decisions were taken already in January 2005.

En plus la Commission a pris contact avec les autorités du Lesotho afin de déterminer la proportion de fonds européens impliquée et dans quelle mesure des Ordres de Recouvrement pourront être émis. La Commission informera le PE dès que les autorités du Lesotho auront fournis les éléments d'information nécessaire.

76. Calls on the Commission to take action to enable the Court of Auditors to carry out effective checks on EU financial resources set aside for measures implemented by international organisations - and reiterates its request to the Commission to clarify with the United Nations agencies the Court of Auditors' right of access to projects managed by those agencies. Encourages the Commission to continue working on the successful implementation of the verification clause contained in the Financial and Administrative Framework Agreement as well as on guidelines regarding an agreed level of detail needed when UN agencies report on the implementation of projects. (§§ 158, 168 and 176)

Commission's response:

The Court's right of access to documentation of projects was raised and reiterated in the 3rd and 4th Working Group of the Financial and Administrative Framework Agreement (FAFA) between the Commission and the UN. The opportunity the Commission had during this annual meeting to explain once more the role of the Court, and the importance attached by the European parliament to Court's work, will help the Court in its work.

The FAFA is a pragmatic and finely balanced tool which has created the enabling framework which allows the Commission to co-operate extensively with UN partners. It is the firm intention of both the Commission and the UN to continue to build confidence in the systems of control on both sides. Since the 3rd annual review of the FAFA was held in New York in April 2006, a number of important advances have been made with regard to reporting, verification and visibility. On reporting, common guidelines were approved at the 4th Annual FAFA Working Group in April 2007 and work on visibility guidelines is well advanced.

As regards the verification clause, one of the conclusions of the 4th Annual meeting of the FAFA Working Group was that some of the verification missions may be jointly carried out and will endeavour to address issues associated with the implementation of the verification clause. The meeting also took note of progress made on discussions on the drafting of common guidelines for verifications.

77. Calls on the Commission to verify regularly the use made of the operating appropriations of its Delegations and the compatibility of their fields of action with the priorities of the European Union. (§ 160)

Commission's response:

The Commission has taken the recommended action. Delegations of the Commission in the beneficiary countries have to report to the headquarters, twice a

year, on the use of the operating appropriations and the compatibility with multi-annual programming reflecting the priorities of the European Union. A continuous monitoring of their activities is assured by the headquarters.

78. Is pleased with the Court's assessment that considerable improvements have been made by the Commission in relation to management of the MEDA programme; urges the Commission to further enhance its effectiveness and efficiency and to ensure a smooth transition to the new financial instruments; insists that the Commission should keep Parliament informed about the translation into practice of objectives set out in the strategy papers and indicative programmes under the new instruments. (§ 164)

Commission's response:

Suite à l'adoption des documents de programmation pour l'instrument ENPI, la Commission a lancé le plus rapidement possible le processus d'adoption des nouveaux programmes d'action pour 2007 en étroite coordination avec les pays partenaires. A cet effet, les activités d'identification et d'instruction des nouveaux projets et programmes ont été menées dans le strict respect des étapes du calendrier décisionnel prévu. L'objectif étant que l'ensemble des actions à financer en 2007 au niveau bilatéral et régional soient effectivement engagées d'ici la fin de l'année. Dans le cadre de ce processus d'adoption décisionnel des programmes d'action 2007, le Parlement Européen sera saisi sur la base de son droit de regard avant l'adoption formelle des documents par la Commission. En outre, en vertu des dispositions de l'article 25 du règlement ENPI, la Commission soumettra annuellement au Conseil et au Parlement Européen, un rapport annuel sur la mise en œuvre de l'aide couvrant l'ensemble de la zone ENPI-Sud par domaine de coopération.

79. Calls on the Commission to present a more substantial evaluation system concerning all external assistance expenditure where the link between expenditure and political results or the lack thereof is more transparent, in order to enable Parliament to effectively exercise its prerogatives and obligations as budgetary authority. (§ 165)

Commission's response:

The Commission has a multi-annual strategy for evaluation which indicates the main axes of evaluations for the five-year period, the thematic and sectoral evaluations to be undertaken, and the strategy to be followed for geographical evaluations.

Full texts of the evaluation reports can be found on the evaluation website: <http://ec.europa.eu/europeaid/evaluation/index.htm>

80. Takes the view that the European Union's image should have a higher profile; calls on the Commission and Council to continue their reflections on their method of communication to ensure that the European Union's external policy is more transparent and more visible. (§ 170)

Commission's response:

The Commission has taken the recommended action.

While the Commission provides funding to all its Delegations around the world for their information and communication activities, the profile of the EU's external policy within the EU is managed in Brussels by DG's RELEX and AIDCO.

Within the EU, the Commission implements, in close cooperation with the Council Secretariat, a series of activities under the "EU in the world" budget line designed to increase the level of understanding within the EU on the way in which the EU's external relations, including CFSP and ESDP are working around the world. This includes cooperation on press visits, seminars, production of information materials, etc. The annual budget in 2005 and 2006 was EUR 1 million.

In addition, the Commission carries out information activities related to the European Neighbourhood Policy, making available information materials via the EU's Representations in Member States and their "Europe Direct" information relays. The annual budget in 2005 and 2006 was EUR 1.5 million.

The Commission provides information directly to the EU's citizens via its web sites, including a new portal, specifically designed to provide simple information in the EU's working languages on the Commission's external activities, regardless of DG.

The reflection on future policy continues as part of the follow up to the "Europe in the world" paper, presented to the Council in June 2006 and in the framework of the follow-up to the "White Paper" and "Plan D".

Pre-accession strategy

81. Concerning Sapard transactions, recommends that the Commission should improve its monitoring of Member States' systems, devote particular attention to final expenditure declarations relating to the programmes in general and ensure that the Sapard paying bodies in particular are closely monitored. (§ 172)

Commission's response:

The Commission is taking the recommended action.

The Commission has received all eight final Sapard expenditure declarations of the new Member States concerned within the period stipulated in the financing agreements. One programme has been closed in budget year 2006, as the final expenditure declaration had been submitted to the Commission already in 2005. The final expenditure declarations of the seven other countries are currently under examination in DG AGRI in respect of the applicable closure procedures.

The Commission will continue to monitor closely the effective functioning of the supervisory and control systems within the SAPARD/IPARD paying agencies.

In 2006, the Commission has carried out 6 conformity audits in Romania, Slovenia, Slovakia, Estonia, Latvia and Poland.

In 2007, the Commission will carry out 3 conformity audits. These audits aim to ensure that the systems and procedures established by SAPARD Paying Agencies for the management and the control of the SAPARD financed measures provide reasonable assurance that the declared expenditure complies with the rules set by the MAFA, AFA and the agricultural plans approved within SAPARD.

82. Urges the Commission to continue to cooperate with the Bulgarian and Romanian authorities in order to support them in further adapting to the requirements of EDIS accreditation for PHARE and ISPA. (§ 173)

Commission's response:

The Commission accepts the recommendation and the recommended action is being taken.

A number of conditions have been attached to the EDIS accreditation in areas with perceived weaknesses and their implementation is closely supervised by the Commission. Equally, the monitoring system set up between the Commission and national authorities ensures a regular review and cooperation on problematic issues in implementing the programmes.

For the time being, the last of 3 Phare implementing agencies in Romania has eventually been accredited in april, whereas for Bulgaria cooperation is ongoing and the results of the last audits are expected in the second part of this year.

83. Is pleased with the Court's assessment that the decentralised management introduced for CARDS projects in Croatia has proved unproblematic. Invites the Commission to continue working with the national implementing agencies so as to enhance their management capacities. (§ 174)

Commission's response:

The Commission is taking the recommended action. The Commission through its Delegation in Zagreb is providing continuous support to the national implementing agencies to enhance their management capacities.

More generally, the Commission has always put in place mechanisms for such supervision - e.g. by regular monitoring reportings and visits, the ex-ante control of procurement and grant selection or periodic systems audits of beneficiaries.

84. While recognising the importance of cooperating with international institutions, insists that the Commission should decide to participate in joint projects only if they ensure an effective use of funds. Insists on the need for EU assistance to provide clear added value, and requests that the performance of joint projects be closely monitored by the Commission. (§ 175)

Commission's response:

The Commission is taking the recommended action. The Commission, when establishing joint projects with International Institutions, is particularly attentive to the expertise and the added Value that those Institutions or the Commission can provide and to the full respect of the FR and in particular the Article 168 of the Implementation Regulation in the case of grants directly awarded.

Administrative expenditure and issues concerning the agencies

85. Calls on the Commission to inform Parliament before the end of 2007 of progress made by the new Member States, in particular Romania and Bulgaria, in the introduction of anti-corruption legislation; regrets that the anti-corruption legislation proposed by the Romanian Government, specifically the Minister of Justice, has been blocked by the Romanian Parliament; fully supports the Government in its efforts to have this legislation approved and introduced. (§ 178)

Commission's response:

The Commission adopted on 27/06/2007 reports on progress made by Romania and Bulgaria (COM(2007)377 and 378), which are transmitted to the Council and to the European Parliament.

86. Expresses its concern for the growing cost of invalidity pensions and considers the use of mandatory invalidity pensions based on psychological disorders to resolve any conflicting relationship with Commission personnel as unacceptable. (§ 179)

Commission's response:

Invalidity pensions are decided on medical grounds only, by the Appointing Authority, upon advice of a specialised Invalidity Committee. Staff with an invalidity pension is visited at appropriate times, to ascertain the continued existence of the pathology which gave rise to their invalidity pension. Depending on the result of this medical examination, the invalidity pension is extended or the member of staff is reintegrated into the Commission services

87. Considers that the ever growing number of Agencies does not always reflect the real needs of the Union and its citizens; invites the Commission therefore to define an overall policy framework for the setting up of new Community Agencies and to present a cost-benefit study before the setting up of any new agency, while being careful to avoid any overlap of activities between Agencies or with the remits of other European organisations. (§ 180 + DOC P6_TA-PROV(2007)0113 § 2)

Commission's response:

The Commission accepts the recommendation.

The Commission always conducts an impact assessment before proposing to set up a new one, as provided for by the draft interinstitutional agreement on the operating framework for the European regulatory agencies (Com(2005) 59).

88. Invites the Commission to present every five years a study on the added value of every existing Agency; invites all relevant institutions in the case of a negative evaluation of the added value of an Agency to take the necessary steps by reformulating the mandate of that Agency or by closing it. (§ 181 + DOC P6_TA-PROV(2007)0113 § 4)

Commission's response:

The Commission partially accepts the recommendation.

According to their legal basis, certain agencies are required to provide evaluation, either regularly, or after three or five years of existence. In these cases, the basic act provides for the agency to commission an external evaluation or for the Commission to perform such an evaluation.

The evaluation findings and recommendations are forwarded by the Commission to the European Parliament and the Council and are made public.

The Commission recalls that the draft interinstitutional agreement on the operating framework for the European regulatory agencies (COM(2005)59), which should apply to future initiatives to set up regulatory agencies, provides for (1) evaluation by the agency and (2) evaluation by the Commission that undertakes to carry out periodic evaluations of the implementation of the basic act, of the results obtained by the agency and of its working methods, in line with the objectives, mandate and tasks defined in the basic act and the indicators established. Following this evaluation, the Commission presents, where necessary, a proposal for the revision of the provisions of the basic act.

In the framework of the April Trialogue, discussions regarding regular evaluations of Community agencies by the Commission took place and will be continued in the coming months.

89. Notes that, in its 2005 Annual Report, the IAS issued a reservation concerning the fact that it has too few staff to be able to satisfy the requirement laid down in the Financial Regulation to the effect that the agencies should be audited annually; calls on the Internal Auditor to explain to the budgetary authority as soon as possible what additional staff are required for this. (§ 183)

Commission's response:

The recommended action has been taken.

Following the decision of the Council and Parliament on the Financial Regulation which confirms the role of the internal auditor of the Commission in the agencies, the Commission has decided to reinforce the staff of the IAS for this function on the basis of agencies number of 23. This increased allocation should allow lifting the IAS' reservation in 2007 provided that for any new bodies falling under the scope of Article 185 of the Financial Regulation to be created in the meantime the IAS will receive additional resources. In this context, it needs to be noted that several legislative initiatives are on-going which may result in such creations, e.g. the setting up of joint technology initiatives.

90. Considers that, in view of the increasing number of regulatory agencies, there is an ever greater need for the responsibilities of the Community's various institutional players vis-à-vis those agencies to be clarified and for clear rules on the subject to be drawn up, including on the subject of the allocation of monitoring tasks. (§ 184)

Commission's response:

C'est le législateur qui adopte les actes fondateurs des agences de régulation. En ce sens, il est responsable tant de l'accroissement du nombre des agences que du contenu final des dispositions applicables aux agences en matière de gouvernance. Toutes les agences de régulation sont soumises à des nombreux contrôles tels qu'organisés par leurs règlements de base et en particulier à des contrôles de nature administrative et budgétaire. La Commission a proposé en 2005 un projet d'accord interinstitutionnel pour un encadrement des agences de régulation, prévoyant des règles relatives à la création, au fonctionnement et au contrôle des agences de régulation.

91. Regrets the fact that the Commission has been unable to make any progress in the negotiations on the draft interinstitutional agreement on the operating framework for the European regulatory agencies, which was adopted in February 2005 (COM(2005)0059), and calls on the relevant departments of the Commission, in consultation with the Court of Auditors, to do their utmost to ensure that the agreement is brought to a rapid conclusion. (§ 185 + DOC P6_TA-PROV(2007)0113 § 5)

Commission's response:

La Commission a travaillé activement afin de faire avancer le dossier depuis 2005 et elle poursuit ses efforts en vue de faire progresser utilement le dossier.

92. Notes that, with the help of the IAS, the agencies have started to establish their own internal control departments and that in future the IAS will carry out periodic reviews of those departments; also considers that the IAS must check that the agencies' internal control systems are functioning properly and that it must inform Parliament regarding the checks it carries out and the progress it achieves. (§ 186)

Commission's response:

The Commission is taking the recommended action.

The formal reporting line foreseen by the Financial Regulation does not provide for a direct reporting by the internal auditor to the Parliament on the internal audit work performed in the agencies. The internal auditor's individual reports are addressed to the agencies; as well as a summary on which the Agency reports to the Budgetary Authority.

In the discharge procedure for the agencies, the representative of the agencies and the Court of auditors are the first line interlocutors of the Parliament together with the parent DG who is responsible for the authorisation of the subsidy.

However the IAS is at the disposal of the Parliament if in this context additional clarifications are needed on its audits.

93. Calls on the Commission to consider the idea of organising an audit for each of the Agencies with a view to examining their operations, with a view notably to human

resource management, the budget and whether or not the tasks required of them have been performed. (§ 187)

Commission's response:

The Commission is taking the recommended action into consideration.

The IAS' staff allocation is based on one audit engagement in each agency on a yearly basis. In 2007 the IAS will focus on the internal control system of the agencies and following up on the implementation of earlier audits. As far as human resource management in particular is concerned, the agencies and DG ADMIN are in the process of establishing a framework of common guidelines (multi-annual plan, recruitment policy, career development policy, etc.) to be adopted by the agencies for the implementation of the staff regulation. It could therefore be well taken into account when the IAS plans its audit work for next year on the basis of an assessment of the main risks in the agencies.

94. Notes the Court's favourable report concerning the European Schools' annual accounts; observes, however, that it is pointed out in that report that the Schools' internal control system does not follow the principle of the separation of functions between authorising officers and accounting officers and that authorising tasks are performed by delegation by two heads of unit in respect of all budget headings and with no financial ceiling; hopes that the new Financial Regulation for the European Schools (which has been in force since 1 January 2007) will remedy the weaknesses to which the Court has drawn attention; hopes that, in future, the Commission will shoulder its responsibility for a sustainable schools policy to a greater extent, commensurate with its share of funding of the European Schools and not with its formal voting rights on the highest decision-taking bodies, and work towards a long-term and, for stakeholders, reliable policy guaranteeing planning certainty; calls, in the medium term, for voting rights to be brought into line with funding share. (§ 190)

Commission's response:

Article 18.1 of the new Financial Regulation of the European Schools (and its Implementing Rules, both in force since January 1, 2007) solves the problem referred to by Parliament, when it states: "The duties of authorising officer, financial controller, accounting officer and internal auditor shall be mutually incompatible."

The Secretary General of the European Schools will review the existing system of sub delegations and will consider the areas for which it would be appropriate to grant limited delegations in the light of operational needs and perceived risks.

The Commission, as indicated in its' Communication of July 2004 on the Future of the European schools system, shares the view that its' voting weight should be in proportion to the EU financial contribution, this was rejected by the Members of the Board of Governors.

95. Notes the complaint lodged by the Director-General of the Office for Infrastructure and Logistics in Brussels (OIB) in his Annual Activity Report on the structural deficit generated by the cost of maintaining the Berlaymont building following its

refurbishment, and also his references to a series of accounting and management problems; considers that the structural-deficit problems highlighted should be resolved as a matter of urgency and calls upon the Commission to take appropriate action and to notify Parliament thereof. (§ 191)

Commission's response:

Indeed, as mentioned in its AAR 2005, OIB faced difficulties with the maintenance of the Berlaymont. As regards the cogeneration and air-conditioning system mentioned previously, even if the technical problems were partially solved and some energy productivity occurred, the cogeneration system is being tested anew with a view to reaching full satisfaction.

Concerning the structural deficit, the yearly minimum budget allocated to OIB enables it to fulfil the essence of its mission, namely in maintaining the Commission's property in 'good state of use' and meeting its requirements as regards security and hygiene.

In order to have a multi-annual perspective, an update of the "étude patrimoine" will be prepared to constitute the basis for a renovation planning forecast to submit to the Budgetary Authority.

96. Notes the Commission reports of 21 February 2007 about a lifts and escalators cartel, the members of which have been fined more than EUR 990 000 000; expects a report from the Commission by September 2007 which shows the extent to which Community institutions, too, have fallen victim to that cartel, in connection with their various building projects, and what steps have been taken to assert claims for damages. (§ 193)

Commission's response:

Eu égard à la complexité juridique, technique et économique du dossier, la Commission doit encore terminer l'évaluation des possibilités de recours. Différents services de la Commission sont actuellement en train d'examiner toutes les implications du dossier. La livraison d'un rapport complet pour le mois de septembre 2007 ne semble pas réaliste. La Commission informera l'autorité de décharge des progrès dans l'analyse du dossier.

97. As regards TEN-T, the European Parliament urges the Commission and Member States to improve co-ordination of EU transport infrastructure funding in annual and multiannual programmes; calls on the Commission to continue its effort to establish clear legal frameworks and procedures, and also to guarantee rigorous monitoring and thorough evaluation of projects and programmes and to set up a comprehensive list of clear criteria which allow projects to be prioritised in a transparent manner; asks the Commission to clarify the procedure for the appointment of European coordinators when setting up the regulatory framework for the content of their reports; urges the Commission to establish a clear and transparent division of institutional responsibilities and define a framework for the coordination of activities between DG REGIO and DG TREN with a view to avoiding double-financing of the same projects; is of the opinion that the Commission should consider proposing that the Community's contribution to the TEN-T budget line be increased for cross-border projects; welcomes in this context the cooperation agreement with the European Investment Bank. (§§ 194-201 & 204)

Commission's response:

As a general rule, projects of common interest identified in the Community Guidelines for the development of a trans-European transport network (decision n° 1692/96/CE of the European Parliament and the Council and later modifications) are carried out by the Member States. Within the framework of the TEN-T budget appropriations, on the basis of the multi-annual and annual work programmes, grants may be allocated to the highest priorities of the TEN-T development, provided the grant applicants and the submitted projects comply with the eligibility, selection and award criteria set out in the TEN Regulation (including, inter alia, the necessary technical maturity and the soundness of the financial package).

The new TEN Regulation (adopted by the European Parliament on 23 May 2007) establishes the priorities for the funding of the TEN-T during the period 2007-2013, sets out a clear basis for the evaluation of project proposals against eligibility, selection and award criteria and provides transparent rules for implementation and control. In its draft work programmes for TEN-T grants 2007-2013 (multi-annual work programme) and 2007 (annual work programme) which was subject to an early consultation of the European Parliament, the Commission has confirmed that it strictly applies these legal provisions. As regards project evaluation, in the same way as in 2006, the Commission will involve external experts in 2007, both for the annual and the multi-annual budget allocations. It expects to further enhance the efficiency and transparency of monitoring and evaluation when the newly created TEN-T Agency becomes operational (from the beginning of 2008).

Concerning the appointment of the European Coordinators, the European Parliament has been closely involved in the process: whereas their designation is based on the TEN-T Guidelines adopted by EP and Council in 2004, EP was consulted prior to their nomination (confirmation of the positive opinion by the Conference of the Presidents on 12 July 2005).

The current framework for coordination between DG REGIO and DG TREN (using Inter-Service Consultation) appears to be effective as no case of double-funding has ever been identified.

The new TEN Regulation, adopted on 23 May 2007, foresees a 30% intervention rate for cross-border sections (as identified in the Community Orientations for the development of TEN-T (Decision of the European Parliament and the Council n° 884/2004). In the Commission's view, this increased rate is suitable to stimulate public and private investors to concentrate their efforts on critical cross-border sections. In implementing the new Regulation, the Commission will therefore make use of this maximum rate where appropriate.

Within these limits, the Commission will ensure an efficient and transparent allocation of the available funds, on the basis of the strict rules and procedures laid down in the new TEN Regulation, in order to ensure the "best value" for the limited Community resources.

98. As regards the externalisation of the management of Community financial support to the TEN-T networks, the European Parliament regrets that the Commission was not in a position to present the European Court of Auditors with a satisfactory cost-benefit analysis of the establishment of an executive agency at the outset; remains, together with the European Court of Auditors, doubtful with regard to the quality of the revised version of the cost-benefit analysis concerning the externalisation of the management of Community financial support to the TEN-T networks; for the future, calls on the Commission to seek a positive opinion on cost-benefit analyses from the European Court of Auditors before forwarding a request for the establishment of an executive agency to the budgetary authorities. (§§ 202-203)

Commission's response:

The Commission will propose the extension of the duration and the mandate of the Agency in order to deal with the management of the programme under the 2007-2013 budgetary decision; this proposal will be accompanied by an update of the cost-benefit analysis taking account of the Court of Auditors' remarks. The Court was also consulted on the terms of reference of the updated CBA.

La Commission rappelle par ailleurs que, comme cela a été confirmé par la Cour lors de la session de la COCOBU du 20/12/06, la 2ème Cost/Benefit Analysis (CBA) présentait de nettes améliorations et que sur cette base, rien n'empêchait la création de l'agence. La Commission estime donc que la 2ème CBA était satisfaisante pour la Cour.

Special Report N° 1/2006 on the contribution of the ESF in combating early school leaving

99. The Commission should propose how it plans to go about the improvement of its monitoring and control mechanism to ensure compliance with the principles of sound financial management. (§ 206)

Commission's response:

The 2007-2013 programming period will be characterized by more responsibility for the Member States as regards monitoring and evaluation. The Implementing Regulation foresees in its annexes that data on participants in operations co-financed by the European Social Fund (ESF) will be transmitted to the Commission with, inter alia, a breakdown by age, employment status and level of education. Guidelines on "on going" evaluation will help Member States to design and implement effective evaluation systems. Partnership meetings between the Managing Authority and the Commission services will provide a forum for the discussion of monitoring, indicators and evaluation arrangements and for the exchange of best practices in the field of evaluation. A thematic evaluation of information systems and monitoring arrangements is also underway.

The Commission will continue to strengthen its monitoring of Member States' management and control systems. The legislation for 2007-2013 reinforces the financial control principles applicable during the previous period via, inter alia:

- the creation of an audit authority;*
- an initial assessment and opinion on systems before the first interim payment is made;*
- an annual opinion on how the systems function;*
- the possibility for the Authorising Officer by Delegation to interrupt/suspend payments independently of the financial correction procedures.*

In the framework of its audits, the Commission has already strengthened the verification of project selection procedures and follow-up of the implementation of project objectives initially set in the Operational Programmes.

100. The Commission should work with the Member States and their national statistics offices to properly define and identify the incidence of early school leaving and encourage the exchange of information and best practice between all local and national organisations responsible for tackling early school leaving. (§§ 205 and 207)

Commission's response:

Eurostat is working in close cooperation with the Member States (namely national statistics offices) on further improvement of the definition of Early School Leaving (ESL), however a common definition (which will make it easier to measure

progress towards the Lisbon target) can only be a parallel systems to the existing national systems, which are adapted to national educational structures and needs.

The Commission recognises the importance of information sharing, and supports and encourages the numerous initiatives to exchange good practices undertaken in various Members States. The Commission also recognises that schools can be reluctant to share certain types of pupil information, particularly pupils' psychological assessments and pupil profiles, with other schools, since in the context of data protection, future legal implications may arise from handling such information.

101. The Commission should ensure that a thorough assessment is carried out in the new Member States as early as possible and in time to make remedial action possible, if required. (§ 209)

Commission's response:

The Commission shares the concerns of the European Parliament relating to a thorough assessment of the situation in the new Member States. However the impact of the co-financed measures relating to Early School Leaving (ESL) is not felt immediately, which means that in the new Member States, an evaluation will not produce significant results before the end of the 2000-2006 programming period. In 2006, the Commission completed a study on measures to combat ESL in the 25 Member States. This study consists of a wide review of relevant literature and of measures undertaken to combat ESL. It shows that several interventions have proved to be beneficial in encouraging specific risk groups to stay on at school. The Commission used the outcomes of the study in the 2006 Progress report where ESL was analysed much deeper than in the previous reports. The study was distributed to Member States via the Standing Group on Indicators and Benchmarks and the outcomes of the study were also presented by the authors at the meeting of the Standing Group on Indicators and Benchmarks in April 2006.

**Special Report N° 2/2006 concerning the performance of projects financed under
TACIS in the Russian Federation**

102. As regards the performance of projects financed under TACIS in the Russian Federation, the European Parliament calls on the Commission to engage the Russian Government in further dialogue to identify national needs and direction accurately and to seek to define and identify priorities and objectives to reach by actions taken; considers that the Commission should keep in mind the principle of "value for money" and therefore urges the Commission to monitor and evaluate the programme more prudently and closely than before; urges the Commission to pursue its policy of focusing on a limited number of sectors and a limited number of programmes; takes the view that the Commission should change its scope from a project approach to a programme approach, since the project approach has too often led to limited dialogue, ownership and flexibility as well as to stand-alone projects unlikely to produce the broader and longer term objectives set out in the current partnership and cooperation agreement; calls on the Commission to take action in preparing a proposal for a legal basis enabling the use of TACIS funds for co-financing with the Russian Federation and considers the financial involvement of regional and local players and the social partners and a greater participation by the private sector to be essential; calls on the Commission to ensure frequent project-based evaluation, beyond the time of project completion, in order to improve feed-back from past experience and also to ensure clear information on on-going projects and the various programmes designed to facilitate public access to information, and to increase openness and transparency about the utilisation of funds and decision-making. (§§ 210-214)

Commission's response:

The Commission has already taken the recommended actions.

Cooperation with Russia is now governed by the European Neighbourhood and Partnership Instrument (ENPI). During the programming of the ENPI, attempts have been made by the Delegation, in particular, but also by RELEX headquarters during several missions (October 2005, March 2006, September 2006) to engage the Russian Government in a real dialogue.

In order to maximise ownership, financial cooperation is now based on the mutually agreed Common Spaces. The Common Strategy Paper (CSP) 2007-2013, and the accompanying National Indicative Programme (NIP) 2007-2010, set out priorities based on the roadmaps to the Common Spaces. The CSP specifically states that actions to be financed will arise from dialogue between the Commission and the Russian Government over which policy objectives under the Common Spaces should be supported.

The External Assistance Reform has strengthened the quality of the projects, i.e. by introducing systematic review of projects/programmes at identification and formulation stages by Quality Support Groups, as well as by systematic use of result-oriented monitoring. On project level also systematic use of the logical framework approach with objectively verifiable indicators is put in place.

The Commission systematically carries out sector or countrywide evaluations. It will consider further increasing the number of project-based evaluations. Best practice is to publish all evaluations, including project evaluations, in order to increase transparency and learn from past experience.

Special Report N° 3/2006 concerning the European Commission Humanitarian Aid Response to the Tsunami

103. Urges the Commission to clarify the role of DG ECHO, and DG Environment (via the Civil Protection Mechanism) in response to humanitarian needs, with a view to ensuring coherent action, and to develop approaches that ensure the support of the regions concerned when coordinating the different donors. (§§ 162+216)

Commission's response:

The Commission has taken the recommended actions.

In March 2003, DG ENV and DG ECHO agreed on a Memorandum of Understanding (MoU) which was revised in 2007 in the light of the experience gained. The revised MoU on coordination in disaster response includes also DG RELEX. It applies to those disasters outside the EU to which DG ECHO and DG ENV respond. The document reflects best practice and will be revised as appropriate in the light of experience gained and lessons learnt in this field.

Discussions continue in order to have a better understanding and clarification on tasks and roles to reach an optimum level of coordination of the different actions undertaken in a given disaster to which both Directorates General respond.

The recast of the Council Decision 2001/792/EC establishes a Community Civil Protection Mechanism of provisions aiming at the effectiveness, coherence and complementarities of the overall Community response, and seeks synergies and complementarities between civil protection and humanitarian aid assistance.

On 13 June 2007, the Commission adopted a Communication entitled "Towards a European Consensus on Humanitarian Aid" (COM(2007)317 final) where it states that "civil protection resources can provide an important contribution to humanitarian actions based on humanitarian needs assessments and their comparative advantages in terms of speed, sector expertise, efficiency and effectiveness especially in the early phase of relief response. When acting in a humanitarian context outside the EU, it is important that such resources support and complement the humanitarian actors in line with agreed international principles and guidelines – in particular in relation to neutrality, impartiality and independence".

The Communication also states that "recourse to state-owned civil protection assets in complex emergencies is therefore rather the exception. Where civil protection is used in complex emergencies, it should be under the guidance of the UN and humanitarian organisations. A distinction should be made here between humanitarian interventions and an EU crisis management operation".

104. Invites the Commission to strengthen the role of DG ECHO to continue to improve its coordination and its response capacity to meet rapidly and efficiently the needs of victims of future humanitarian catastrophes and to give adequate consideration to the importance of linking short-term humanitarian aid with longer term rehabilitation

and reconstruction; notes that at present the two phases belong to different DGs, procedures and mandates. (§ 217)

Commission's response:

The Commission has taken the recommended actions.

Rapid response capacity: In view of the increase in sudden natural disasters and complex emergencies, and following the Tsunami, a number of initiatives have been taken in this regard:

- DG ECHO reinforced its presence in the field through an increase of DG ECHO experts and local staff that are permanently assessing, monitoring and evaluating humanitarian situation and crisis in over 60 countries; DG ECHO has now a network of about 100 experts and about 50 local staff assisting in the monitoring of projects.

- DG ECHO stepped up the humanitarian expertise and support function of its 6 regional support offices: regional sectoral experts (health, food, water and sanitation, information and communication) have been recruited, which are based in the regional offices and which are the first ones to assist a country office in case of sudden onset disaster and/or complex emergency;

- DG ECHO has supported actively the response capacity of some of its implementing partners (IFRC, UNICEF, WFP, etc.), focussing especially on strengthening their surge capacity and supporting the pre-positioning of emergency relief stocks in regional hubs close to disaster-prone areas, allowing for a speedy mobilisation of required humanitarian resources.

The Commission is very aware of the issue of linking short term humanitarian aid to longer term development assistance, which is a challenge facing all donors. The main issue is the transition between two radically different logics of intervention: from the humanitarian one which is short-term, very focussed, to a long-term one, focussed on institutional building, mainly through government and with a major sustainability dimension. Moreover this transition process often takes place in a difficult environment for donors.

The streamlining of the EC external relations instruments has created a new environment and new opportunities for LRRD (linking relief to rehabilitation and development). The inter-service group on LRRD was relaunched at the end of 2006 to further the issue in this new legal framework for external instruments. A specific attention has been given to the food aid / food security aspects with the transfer to DG ECHO of the entire humanitarian food aid budget.

A list of priority countries where transition from humanitarian aid to development assistance proved difficult was also established at the end of 2006. Good progress has been made on each of the countries identified.

In parallel, the Commission services are also examining how to make the best use of the flexibility clauses – in case of crisis - of the various regulations to better respond to some LRRD challenges.

An evaluation of the LRRD process in Tajikistan is currently being carried out. Preliminary findings were presented in May 2007 to the Commission. The conclusions are globally positive. The recommendations will be taken up in the general work on LRRD.

105. Insists on sound financial management and considers that provision of detailed financial information is necessary to facilitate the effective monitoring of project implementation; emphasizes the recommendation of the Court that DG ECHO should strengthen its monitoring system; understands that an increase in prices of goods and labour costs might be unavoidable in exceptional situations; invites however the Commission to give consideration to measures aimed at controlling and monitoring costs as much as possible. (§§ 218-220)

Commission's response:

The Commission has taken the recommended actions.

The following mechanisms are put in place by DG ECHO to monitor and control the project implementation:

- Monitoring visits during the project implementation by DG ECHO field experts and desk officers*
- Reporting by the partner on the project implementation*
- On the spot visits by DG ECHO Finance and Audit Unit*
- Checks prior to final payment of the projects*
- External audits of partners.*

DG ECHO's Annual Activity Report further describes the main aspects of the control strategy developed by DG ECHO.

The explosion in costs following the Tsunami, was to a large extent due to the unprecedented scale of the disaster, necessitating a large amount of both materials and labour to be supplied in short notice in a region which, as a whole, was affected by the disaster. Alternative means of supplying these deliverables, other than those through local procurement, were therefore not always available. Through the presence of its field experts, who have a good knowledge of the local market conditions, DG ECHO managed to control and monitor the costs as much as possible. However, in this kind of exceptional situation, a temporary increase in the prices of goods and of labour cost is, to a certain degree unavoidable.

106. Voices its concern with regard to brand promotion and competition for visibility amongst humanitarian donors in humanitarian catastrophes which attract high media attention, as this practice has a negative impact on the coordination of humanitarian aid and the perception of the aid by the victims of such catastrophes. (§ 221)

Commission's response:

The Commission has taken the recommended actions. Visibility tends to be a more significant issue for implementing agencies than it is for donors. However, all actors in humanitarian crises use "branding" and seek to ensure that their involvement does not go unnoticed. For donors, it is a way of boosting transparency by providing visual evidence for taxpayers of commitments fulfilled. For implementing agencies, particularly those that receive private donations, it is a way of publicising their contribution to meeting the needs of crisis victims. It is difficult to imagine a large scale humanitarian response in which the various actors eschew visibility altogether. However, the Commission believes that a desire for visibility should never impinge negatively on the primary task, which is to deliver coordinated assistance speedily and effectively to those who are suffering most in a crisis zone. The link between "competition for visibility" and "a negative impact on the coordination of humanitarian aid" is not immediately obvious but, if it does occur, then it is to be deplored.

107. Asks the Commission to define clearly what an NGO is. (§ 222)

Commission's response:

The Commission can not, at this stage, accept the recommendation. Many of these organisations are national or international in scope and cover a great range of functions, which can be difficult to separate from each other. Moreover, the difficulty at European level lies in the different national traditions which they reflect and their strong tendency to combine several different objectives and on the general absence of a positive legal and fiscal frameworks at national level.

Special Report N° 4/2006 concerning Phare investment projects in Bulgaria and Romania

108. Calls on the Commission:

(1) To involve the Bulgarian and Romanian authorities in mutual cooperation with a view to identifying the two countries' requirements and capabilities more precisely, and to endeavour to define and determine the priorities and the objectives to be achieved.

(2) To pay particular attention to establishing in Romania and Bulgaria administrative structures and information systems capable of managing and controlling EU funds and to supervise the reorganisation of the departments responsible for investing those funds.

(3) To ensure that clear information is provided concerning current projects and the various programmes, and on the Romanian and Bulgarian administrations' overall management and independent monitoring capability, and to ensure that there is greater openness and transparency in the use of funding and in the taking of decisions relating thereto.

(4) For an independent opinion concerning the ability of the Romanian and Bulgarian administrations to carry out the sound financial management of Community funding.
(§ 224)

Commission's response:

The Commission accepts the recommendation and aspects of the recommended action have already been taken as follows:

(1) The mutual cooperation has been strengthened in recent years as part of the pre-accession programming process. Further key steps in this direction following accession have been the comprehensive programming exercise for Structural and Cohesion Funds, the programming of the Transition Facility for remaining gaps in institution building and the cooperation and verification mechanism in key areas requiring continuous attention as set out by the benchmarking exercise.

(2) The strengthening and setting up of adequate administrative structures has been integrated by DG Enlargement as precondition in preparations for EDIS for the management of Phare and the Transition Facility after accession.

(3) The provision of detailed information concerning current projects and the related monitoring information is ensured by the monitoring systems in place for Phare and the Transition Facility. These include bi-annual detailed reporting to the Commission on the financial and operational status of each project as well as annual independent interim evaluations of all sectors.

(4) Independent opinions on the management of funds are inbuilt into the implementation systems in the form of evaluations (ex ante, interim and ex post) for the operational side as well as through audits (systems and thematic audits,

procurement audits, closure/clearance of account) for the financial management. For the implementation under EDIS, the Commission also draws upon external monitoring experts carrying out on the spot visits to projects.

Special Report N° 6/2006 concerning the environmental aspects of the Commission's development cooperation

109. Urges the Commission, on the basis of the new development policy signed in December 2005, to establish a comprehensive environment strategy for its development cooperation; considers that such a strategy should recognise the importance not only of mainstreaming the environment into all development programmes and projects but also making the environment a priority field for expenditure. (§ 229-230)

Commission's response:

The Interservice Group on integrating environment in development cooperation, set up by the Commission in 2006, has prepared a first draft environment integration strategy, which will address environment and natural resources management both as a mainstreaming issue, and as priority field for expenditure. The Commission intends to consult the Member States and Civil Society on the proposed elements of the strategy during the second half of 2007, and finalise the Strategy before the end of 2007.

The Commission has also made some progress with respect to addressing environment/natural resources management either as an environmental focal sector (mostly in the Pacific) or non focal sector (in Africa), or integrating environment as an important element of the focal sector in the programming of the 2nd generation of Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs). In addition environment co-operation is a key element - and a priority - of our country strategies for China, Brazil and a number of other Asian and Latin American countries. As such it will complement our co-operation efforts with these key partners in other sectors, such as research and technology.

Furthermore, the Commission's new thematic programme for Environment and Sustainable Management of Natural Resources including Energy (ENRTP), adopted in January 2006 and currently with an indicative total of €889 M, focuses on issues identified as horizontal global priorities. As such, it complements existing country and regional programmes and thus contributes to a coherent and coordinated approach to the challenge of integrating environment into the wider development agenda.

The Commission will also work with its partners to pursue the better integration of environmental objectives in the national poverty reduction plans at country level.

110. Believes that training in environmental mainstreaming should be compulsory for key officials; urges the Commission to complete the preparation of a manual on environmental mainstreaming as soon as possible. (§ 231)

Commission's response:

The recommended action has been taken. The manual - Environmental Integration Handbook for EC Development Cooperation - has been completed and adopted by EuropeAid Management on 30 November 2006. It was presented for

information to the DCI Management Committee of April 2007. It is being used in seminars on environmental mainstreaming organised at Headquarters and Delegations. It will be reviewed and updated as experience is accumulated and assessed, jointly with development partners and based on feedback from users.

The Commission shares the views that as many staff as possible should receive training in environmental mainstreaming and is considering all available options to this effect. Continuous awareness-raising among staff and management staff on the necessity and utility of this training remains nonetheless an essential pre-condition to reach intended goals. More than 500 EC staff have already attended at least one of more than 100 training modules delivered in Brussels and overseas since 2005.

111. Asks the Commission to ensure that it has sufficient in-house environmental expertise and that clear environmental integration procedures are both defined and complied with. (§ 232)

Commission's response:

The Commission is taking the recommended action. Environmental integration procedures are outlined in the manual and systematic references to the manual are made in the standard forms and checklists for the identification and formulation of operations and ex ante submission to EuropeAid's Quality Support Groups. As a next step the Commission intends to define criteria for monitoring performance and this should be achieved by the end of 2007.

Staffing for environment and natural resources management is to be considered in the overall context of priorities to be addressed by the Commission, and in the first instance the recently established inter-service group on environmental integration serves to ensure appropriate coordination between specialist staff in the different services involved (particularly in DG AIDCO, DG DEV, DG RELEX, DG ENV) so as to make best use of available resources. The Commission intends to continue to make specialist support available to staff managing external aid.

112. Invites the Commission to make greater use of the recognised expertise of the national aid administrations of the Member States and of private companies that have an established experience as partners of the national aid administrations in managing environmental projects in the context of national development cooperation programmes. (§ 233)

Commission's response:

The Commission is taking the recommended action. The Commission has started a more closely coordinated dialogue with Member States on how best to address the environmental dimension in development cooperation, which could inter alia lead to the use of available expertise in national aid administrations of Member States (and other development partners) in the framework of joint undertakings. Information exchange with experts supporting national aid administrations on matters related to environmental integration (helpdesks) is already underway. As regards environmental projects under the new thematic programme for the Environment and Sustainable Management of Natural Resources, including

Energy (ENRTP) private sector involvement is foreseen, and certain activities will (continue to) be contracted to private companies under the appropriate tendering procedures.

113. As regards the environmental aspects of development cooperation, insists that projects must be planned on the basis of detailed specifications with clearly defined aims and that external monitors should be engaged to evaluate the success rate of each project and to identify clearly any failures or weaknesses. (§ 234)

Commission's response:

The Commission now engages external experts to monitor projects against their objectives (Results Oriented Monitoring system). The main conclusions are described in the Commission's Annual Report on the implementation of external assistance.

Special Report N° 7/2006 concerning Rural Development Investments: Do they effectively address the problems of rural areas?

114. Urges the Commission to take on board shortcomings identified in special report 7/06 which are not addressed in the new Rural Development Regulation or its detailed implementation rules, in particular when approving national programmes. Calls in particular upon the Commission to set clearer strategies which relate to specific objectives and work in close cooperation with the Member States to improve the definition of objectives, beneficiaries and areas, as well as the selection of the most appropriate projects, and to include this in the programming documents for the 2007-2013 period. (§ 235 and 236)

Commission's response:

The Commission is taking the recommended action.

Together with the Member States, the Commission will, in the context of the negotiations on the rural development programmes for the period 2007-2013, pay specific attention to the elements raised in the Court's Special Report 7/06. For the period 2007-2013 a strong strategic approach has been introduced through the definition of three core objectives which constitute the foundation of the new regulation adopted in September 2005 and a reorganisation of sub-objectives and specific measure-related objectives allowing Member States to better focus their rural development strategies on relevant objectives deriving from their specific needs.

Secondly, Community Strategic Guidelines for rural development were adopted which spell out clearly the European priorities for rural development for the period 2007-2013. In their National Strategy Plans, Member States have translated these Community priorities into the national context while adding specific national or regional priorities. In the context of subsidiarity, the identification of beneficiaries and areas eligible for support belongs to the responsibility of the Member States on the basis of the analysis of problems, objectives and strategy defined in their programmes.

115. Considers the second pillar of the CAP to be an indispensable tool in the further development of rural areas in the EU, and thus invites the Commission to encourage Member States to analyse key success factors in investment projects and to disseminate cases of good practice. (§ 240)

Commission's response:

The Commission is taking the recommended action.

The necessary tools will be put in place from 2008 onwards. The Commission believes that the analysis and dissemination of successful projects constitute an effective way of spreading the best practices. With the establishment of a European Network for Rural Development as from 2008 onwards, the Commission will contribute to the efficient implementation of Rural Development programmes and fulfil the role of facilitator, organiser and source of expertise and best practice for

the rural development policy at European level. The network will provide support to the Managing Authorities, National Rural Networks and other relevant bodies involved in the management and implementation of rural development programmes. As a part of the European Network for Rural Development, a European Evaluation Network will be set-up to establish good practice and capacity building in evaluation, thereby increasing the utility of monitoring and evaluation as tools for program management. Cooperation and exchange of best practice, as well as ongoing development of methods and tools will be supported.

116. Encourages the Commission, in close cooperation with Member States, to improve monitoring and evaluation systems, for example by developing relevant qualitative indicators that enable Member States and Commission to determine whether measures were effective and which objectives were achieved. (§ 241)

Commission's response:

The recommended action has been taken. Over the last year the Commission has elaborated in close cooperation with the Member States a Common Monitoring and Evaluation Framework. The new arrangements provide a single framework for monitoring and evaluation of all rural development interventions. The emphasis lies both on continuity and adaptation of existing guidance for the 2000-2006 programming period, on the basis of experience and the requirements of the new regulation. The framework establishes 5 types of common indicators in line with the objectives defined in the Council regulation and will allow an improved monitoring and evaluation of the effective implementation of the rural development measures.

Special Report N° 8/2006 on: Growing Success? The effectiveness of the European Union support for fruit and vegetables producers

117. Calls for the Commission to set up an appropriate monitoring and control mechanism for the fruit and vegetable sector to ensure compliance with the principle of sound financial management. (§ 247)

Commission's response:

The Commission is taking the recommended action.

There was a political agreement in the Council on 12 June 2007 in favour of the Commission's proposal for reform of the fruit and vegetable sector, and the adoption of the reform is foreseen in September 2007. The reform gives due attention to efficient and effective use of Community funds in the support scheme for producer organisations and that this is verifiable.

Therefore, the reform includes for instance a provision according to which, in the recognition process for producer organisations, Member States have to make sure that there is sufficient evidence that the organisations can carry out their activities properly, in terms of effectiveness and of concentration of supply.

Member States also have to establish a national strategy for sustainable operational programmes that must provide for an ex-ante analysis, the objectives of operational programmes and instruments, as well as performance indicators and reporting obligations for producer organisations.

Implementing rules containing appropriate control and monitoring mechanisms for the new fruit and vegetable sector will be worked out during 2007.

118. Proposes that the Commission review as soon as possible the relevance and accurateness of existing indicators and statistics. (§ 248)

Commission's response:

The Commission is taking the recommended action.

There was a political agreement in the Council on 12 June 2007 in favour of the Commission's proposal for reform of the fruit and vegetable sector, and the adoption of the reform is foreseen in September 2007. The reform gives due attention to efficient and effective use of Community funds in the support scheme for producer organisations and that this is verifiable.

An impact assessment report was drawn up and accompanied the reform proposal. It was the result of an in-depth analysis of the situation of the sector, of the current support schemes and of possible options that were submitted to an extensive public consultation. The impact assessment concluded that the option including an enhancement of the producer organisations instrument and decoupling of the aids to processed fruit and vegetables was the option that presented most of the required advantages to be able to achieve the objectives set out.

In addition to the 2009 evaluation, the Commission is committed to present a report on producer organisations, operational funds and operational programmes by 31 December 2013 at the latest.

Simplification is one of the Commission's priorities and a major objective of this reform. Everything will be done to reduce the administrative burden and costs for all concerned. Special attention will be devoted to this issue when drawing up the implementing rules.

119. Calls on the Commission and the Member States to closely monitor and increase the efficiency and effectiveness of the system of producers' operational programmes and to study the success factors of the more promising results obtained and draw conclusions on that basis for better implementation at Member State level, especially in the less well organised regions. (§ 249)

Commission's response:

The recommended action has been taken.

There was a political agreement in the Council on 12 June 2007 in favour of the Commission's proposal for reform of the fruit and vegetable sector, and the adoption of the reform is foreseen in September 2007. The reform gives due attention to efficient and effective use of Community funds in the support scheme for producer organisations and that this is verifiable.

Therefore, the reform includes for instance a provision according to which, in the recognition process for producer organisations, Member States have to make sure that there is sufficient evidence that the organisations can carry out their activities properly, in terms of effectiveness and of concentration of supply.

Member States also have to establish a national strategy for sustainable operational programmes that must provide for an ex-ante analysis, the objectives of operational programmes and instruments, as well as performance indicators and reporting obligations for producer organisations.

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In addition to the 2009 evaluation, the Commission is committed to present a report on producer organisations, operational funds and operational programmes by 31 December 2013 at the latest. The Commission has also noted that the progress made concerning the concentration of supply in the fruit and vegetables sector is very different from one Member State to another. The Commission has concluded from its analysis in the light of the success stories that it is still worth keeping producer organisations but that their attractiveness should be improved so that they have a better chance to grow and/or multiply.

Simplification is one of the Commission's priorities and a major objective of this reform. Everything will be done to reduce the administrative burden and costs for all concerned. Special attention will be devoted to this issue when drawing up the implementing rules.

120. Asks the Commission to align the aid scheme's procedures and rules with those of the Rural Development Funds in order to clarify when they can complement each other and when they exclude each other. (§ 251)

Commission's response:

The recommended action has been taken.

As stated in the Commission Declaration on Rural Development and operational programmes (included in the Presidency Compromise of 12 June 2007) "the Commission intends to include, among the implementing rules related to the reform of the fruit and vegetable sector, specific provisions in relation to the coexistence of actions implemented under the operational programmes and measures implemented under rural development programmes.

Those provisions will be similar to the provisions of Article 5(6) of Council Regulation (EC) No 1698/2005 and of Article 2(2) of Commission Regulation (EC) No 1974/2006, which read as follows:

"6. No support under this Regulation shall be granted to schemes eligible for support under common market organisations, subject to any exceptions yet to be defined, in accordance with the procedure referred to in Article 90(2)."

"2. Where support under Regulation (EC) No 1698/2005 may exceptionally be granted in accordance with Article 5(6) of that Regulation, for measures falling within the scope of the support schemes listed in Annex I to this Regulation, Member States shall ensure that a beneficiary may receive support for a given operation only under one scheme.

To that end, Member States, when including measures containing such exceptions in their rural development programmes, shall describe in those programmes the criteria and administrative rules they will apply for the support schemes concerned."

121. Calls upon the Commission to closely monitor and control the implementation of the scheme in new Member States. (§ 252)

Commission's response:

The Commission is taking the recommended action.

The reform includes for instance a provision according to which, in the recognition process for producer organisations, Member States have to make sure that there is sufficient evidence that the organisations can carry out their activities properly, in terms of effectiveness and of concentration of supply.

Member States also have to establish a national strategy for sustainable operational programmes that must provide for an ex-ante analysis, the objectives of operational programmes and instruments, as well as performance indicators and reporting obligations for producer organisations.

In addition to the 2009 evaluation, the Commission is committed to present a report on producer organisations, operational funds and operational programmes by 31 December 2013 at the latest. The Commission has also noted that the progress made concerning the concentration of supply in the fruit and vegetables sector is very different from one Member State to another. The Commission has concluded from its analysis in the light of the success stories that it is still worth keeping producer organisations but that their attractiveness should be improved so that they have a better chance to grow and/or multiply.

Special Report N° 9/2006 concerning translation expenditure incurred by the Commission, the Parliament and the Council

122. (1) Considers that the institutions should take appropriate measures to further improve the productivity of the EU translation services by comparison with the private sector; (2) considers that the three institutions should establish translation costs on an annual basis using the same criteria and calculation methods; takes the view that the figures obtained should be used not only for budgetary purposes, but also to raise cost awareness among users; (3) recommends that greater use be made of limits on the length of documents and of written summaries; (4) considers that the institutions should improve further the information available to management for monitoring the translation process, taking into consideration the performance indicators proposed by the Court; (5) considers that the Council, Parliament and the Commission should make efficient and effective use of internal and external resources such as databases, computer-assisted translations, teleworking and outsourcing; (6) considers that each institution should verify spare translation capacities in the other two institutions before outsourcing translations. (§§ 253-261, 263-265)

Commission's response:

1. The Commission is taking the recommended action. Transitional overcapacities in some language departments as a result of the overhaul in the translation strategy are being reduced and resources are redeployed to new language departments, thereby reducing the need for additional posts and improving overall productivity. However, the Commission can not benchmark its productivity against the private sector. The reason for this is that the Commission is the institution that has the initiative of making legislative proposals and therefore is often faced with translations of completely new texts entailing a higher difficulty and more research, mainly in the field of terminology. Legislative documents and documents of high political importance also require very strict quality controls to be implemented to ensure correctness and concordance across 23 language versions. Moreover, as stated by the European Court of Auditors in §78 of its special report, freelance translations are perceived to have a lower quality and in need of a higher level of revision than documents translated internally.

2. The recommended action has been taken. As of 2006 the Commission resumed its cost calculations and adapted its methodology to that applied by the European Court of Auditors for its cost calculations 2003-2005. This recommendation is currently also under study at the level of the ICTI (Inter-Institutional Committee on Translation and Interpretation) with a view to align the cost calculation methodologies across all institutions.

3. The recommended action has been taken. The Commission has adopted in December 2006 an updated translation strategy for 2007 and beyond which reviews the guidelines on document length and extends these guidelines to a wider range of documents based on experiences gained in the implementing the transitional strategy. The extended scope of this strategy should lead to additional savings by shortening documents which were previously not subject to specific criteria.

4. The Commission is taking the recommended action. DGT is further developing its performance indicators and work is ongoing to review senior management needs for more effective monitoring and supervision. In this context DGT will also address the implications for DGT's statistical systems to allow for regular and reliable measurements of such indicators.

5. The recommended action has been taken. The Commission has developed, over a number of years, a set of powerful tools to support its translation activity and is currently making these tools available to other institutions through the Interinstitutional Committee on Translation and Interpretation (ICTI). A coherent use of these tools across its various departments has been made a priority and effective use of these tools by translators has been included in the performance objectives for each translator. DGT also extended its teleworking project to cover 250 staff members in 2007 (about 80 more compared to 2006).

6. The Commission is taking the recommended action. The Commission supports interinstitutional cooperation and plans to extend the pilot project on inter-institutional translation workload balancing to include not only EU15 languages but all official languages. Nevertheless the potential savings that may result from this workload balancing scheme will reduce over time as all translation services within the institutions are currently reviewing the resources for their language departments against real needs (reducing spare capacities).

123. Is of the opinion that the institutions must take the necessary measures to guarantee a high translation quality standard. Takes the view that the Council, Parliament and the Commission should report back to the Court and the Committee on Budgetary Control on measures taken to monitor and improve the quality of translations in time for the 2006 discharge procedure. (§ 262)

Commission's response:

The Commission is taking the recommended action. DGT remains strongly committed to high quality translations and is therefore constantly reviewing its processes to guarantee quality for all its translation activities in accordance with fit-for-purpose principles. DGT is currently adjusting its quality control guidelines mapped against an extended inventory of document types outlined in the Commission's translation strategy. Moreover it is assessing how it can improve monitoring on translation quality (including through seeking feedback from translation requesters).

The Commission will report back to the Committee on Budgetary Control on measures taken to monitor and improve the quality of translations in time for the 2006 discharge procedure.

**Special Report N° 10/2006 on ex post evaluations of Objectives 1 and 3 programmes
1994-1999 (Structural Funds)**

124. The Commission should demonstrate to what extent the methodology for ex ante, mid-term and ex post evaluation has been consolidated in order to prevent as far as possible, for the 2000-2006 ex post evaluation exercise, the logical errors established by the Court's special report. (§ 266)

Commission's response:

The Commission is taking the recommended action. For the 2000-06 period ex post evaluations the Commission is carrying out a preparatory analysis in order to facilitate the task of the contractors and improve quality. It accepts the need for a life cycle approach to evaluation and the related data gathering over a whole programme period. The new arrangements for needs-based ongoing evaluations in the 2007-13 period will foster this approach (see European Court of Auditors' Special Report 1/2007 on the implementation of the mid-term processes in the Structural Funds 2000-06).

125. The cooperation between the Directorates-General for Regional Policy and for Employment, Social Affairs and Equal Opportunities should be expanded with regard to the points which the evaluation methods have in common. (§ 267)

Commission's response:

The Commission is taking the recommended action. The two Directorates General will cooperate closely in preparing the ex post evaluations for 2000-06, as they did for 1994-99, when they were represented on each other's steering committees. Nevertheless, the specificities for the European Regional Development Fund (ERDF) and the European Social Fund (ESF) will continue to require some differences in methodology.

126. The Commission should demonstrate - before commencing the 2000-2006 evaluation - to what extent it has modified the methodology concerning the current use of the HERMIN model, in particular with regard to the insufficient account taken of the importance of the tertiary sector for some economies, such as tourism, and the specific circumstances of young market economies of new Member States. (§ 268)

Commission's response:

The Commission is taking the recommended action. The HERMIN model is being further developed to cover the construction and services sectors and data on the economies of the new Member States.

127. The methodology should be enlarged upon in the 2000-2006 ex-post exercise in order to gauge microeconomics effects, for private investment is important for Structural Fund impact in the long term and for job creation. (§ 269)

Commission's response:

The Commission is taking the recommended action. The developments to the HERMIN model will include the need to estimate the economic returns of physical and human capital investments through micro-data.

128. In the interests of ensuring a coherent approach to Structural Fund evaluation in general, the conclusions of the Court of Auditors' special report should be taken into account for future ex ante, mid-term and ex post evaluations for the 2000-2006, 2007-2013 and subsequent programming periods. (§ 270)

Commission's response:

The Commission is taking the recommended action. The Commission is anxious to learn from past experience. It has agreed to the proposal of the Court to conduct a preliminary analysis to prepare the ex post evaluation work for 2000-06. Whilst the guidelines for the ex ante evaluation of 2007-13 programme proposals had already been issued when the Court's report was presented, the Court's recommendations will be taken into account in relation to the ongoing evaluations of the period.

129. Structural Fund evaluation ought to be viewed as an ongoing process with permanent input from the conclusions drawn from the various ex ante, mid-term and ex post exercises. With the involvement of Member States in this process, the Commission should demonstrate how it is going to put these notions into practice as soon as possible. (§ 271)

Commission's response:

The Commission is taking the recommended action. The Commission accepts the need for a life cycle approach to evaluations and the related data gathering over a whole programme period. For the 2007-13 period the idea of evaluation as a continuous process has been taken up with the replacement of the mid-term evaluation with needs-based ongoing evaluations. The Commission will ensure that the 2000-06 ex post evaluations benefit from the evaluations produced during the period. It will associate Member States in the preliminary analysis which is planned to prepare for the ex post evaluation of 2000-06 programmes.

130. In the interests of demonstrating the European added value of the Structural Funds to the public, future evaluations should also highlight the indirect effects of the Structural Funds. (§ 272)

Commission's response:

The Commission is taking the recommended action. Whilst the Commission agrees that evaluations should demonstrate added value to the citizen, it considers that given the need to allow future ex post evaluations to concentrate on core tasks as the Court recommends, it would be better, in order to do full justice to this topic, to devote a specific study to it rather than including the subject in the ex post evaluation.

131. In relation to the steering group for the 2000-2006 ex post evaluation, the Commission should explore the scope for increased cooperation with the academic community (to include the opinions of outside experts) in the form of partnerships with specialised institutes and studies on specific subjects, and establish so a 'beacon model' for evaluation of economic, social and territorial cohesion measures which would be a specifically European model, but would have the potential to serve as an example at global level. (§§ 273 and 274)

Commission's response:

The Commission is taking the recommended action. There was considerable academic participation in the 1994-99 period ex post evaluation and the Commission will continue to work with research institutes and universities in the future, though on the basis of open tenders, not technical assistance type arrangements. The Commission, too, aspires to the goal set out by Parliament of making the evaluation of cohesion policy into a model for evaluation in other policy areas.

European Development Funds

132. Is worried that the ECA may judge the results of the efforts of building NAO's management capacity (by providing technical assistance, equipment and training) to be variable. Requests the Commission to refine its support strategy as regards problematic cases. (§5)

Commission's response:

The Commission explains in its report on the financial management of the EDFs the constraints relating to local capacity and measures taken in consequence.

133. Calls upon the Commission to reflect on possible ways to simplify the current management structure in order to minimise the risk of ambiguities as regards responsibilities for the EDF. (§6)

Commission's response:

Les guides financiers et contractuels ainsi que le guide relatif aux Devis-Programmes ont été revus avec pour objectif d'une part d'harmoniser les procédures utilisées pour le FED et le Budget Général et d'autre part, clarifier et simplifier les règles de gestion.

Le règlement financier pour le 10ème FED en cours de préparation devrait harmoniser ultérieurement les règles et procédures avec celles utilisées sur le Budget Général.

134. Is convinced that transparency and democratic control over EDF funds managed by the EIB would be strengthened if these operations were subject to a discharge procedure involving the Parliament and the Council. Calls on Member States, the Commission and the EIB to address this issue during the forthcoming revision of the EDF Financial Regulation. (§11)

Commission's response:

The Commission has no legal responsibility for the operations financed from the EDFs which are managed by the EIB. These funds are paid directly to the EIB by the Member States and are subject to the audit and discharge procedure laid down in the Statutes of the EIB. The Financial Regulation applicable to the 10th EDF must comply with the Internal Agreement between the Council and the ACP States concerning the 10th EDF and adopted on 17 June 2006 which states in article 11(3) that the EIB shall implement EDF funds according to its statutes.

135. Requests that the Commission in its financial and management report for 2006: (1) indicates the priorities which have been established as a result of the existing resource constraints and the impact on the implementation of the EDFs, (2) indicates to what extent the recommendations for setting of performance indicators have been implemented in time in the programming progress for the period 2007-2013, (3) provides more detailed information as requested by the ECA, in particular on the strategy to reduce the level of dormant commitments, (4) sets out in a structured and

detailed manner the criteria leading to the Commission's conclusions on the relevant country's eligibility of budget support.

Also requests the Commission to pursue its efforts to reduce the RAL and to report back, in detail, to the discharge authority on progress made. (§§ 15, 24, 27, 28, 35)

Commission's response:

The issues raised under this point have been responded to in the 2006 EDF Financial Management Report.

136. Calls upon the Commission to review its audit strategy and to reorganise existing audit structures and staff and, not least in view of the possible resource constraints, to consider closer cooperation with national experts from the Member States' administrations in the financial management of EDF funds in general and the extended use of well known and highly reputable private enterprises from the Member States in the execution of programmes and individual projects. (§16)

Commission's response:

EuropeAid adopted a Guidance Paper concerning a Strategy for Audits of External Operations on July 2004. The concepts and key principles of this strategy are still valid though the Commission acknowledges that there might be room for improvement with respect to certain strategic aspects. EuropeAid is now giving full priority to the design and implementation of various sets of operational guidelines (for example the ones relating to the development of new terms of reference). If need be, a review of the audit strategy will be made as soon as all operational and methodological guidance has been completed (i.e. is available at a satisfactory operational level).

The new Financial Regulation will help intensify cooperation and co-financing with Member States. This is fully in accordance with the Paris declaration of 2005, the increased emphasis on aid effectiveness.

The Commission already makes widespread use in the implementation of its actions of private enterprises which are selected on the basis of tendering procedures and whose technical and financial capacities are verified during the selection process.

137. Notes that the management of EDF funds will be migrated to the same IT system used for the management of development aid financed from the general budget. Observes that the migration has been delayed and is now scheduled to be carried out by the end of 2007, on time for the start of the Tenth EDF in 2008. Calls upon the Commission to inform Parliament about the results of the migration process; expects the Commission to ensure that during the migration process complete and reliable accounting information be provided to the ECA and the discharge authority. (§19)

Commission's response:

The Commission informs the Parliament on a regular basis about the modernisation of its accounting system, including the IT platform for the accounts

of the European Development Fund (see COM(2007)343 of 21.6.2007). After the migration, full information will be sent to the Court of Auditors and the Parliament. The EDF annual accounts for 2005 and 2006 were drawn up in compliance with accrual-based accounting principles despite the delay in the migration.

138. Welcomes the Commission's willingness to inform Parliament about the integration of the financial administration of the EDF into the Common Relex Information System (CRIS) in July and September (2007). (§20)

Commission's response:

The Commission will report on this fully in September 2007.

139. Supports the intention to improve EuropeAid's IT system. Requests the Commission to pay particular attention to an improved and coherent follow-up of audit findings. (§21)

Commission's response:

The Commission intends to improve, as a support tool complementary to the current planning and monitoring system, the functioning of the CRIS AUDIT module so to facilitate its exploitation at both Headquarters and Delegations.

140. Expects the Commission to instruct its delegations in the beneficiary countries as a general rule to spell out in its reports the practical results of the deployment of EU funds so that the Commission can gauge and publicise the results of EU development cooperation. (§25 (and §159 in the resolution on the general budget))

Commission's response:

The Commission has already instructed its delegations in the beneficiary countries to set out the practical results of the deployment of EU funds in their six-monthly External Assistance Management Reports. In addition, the Commission also gathers and publicises information from Delegations in other, attractive formats, e.g. in the form of "stories from the field" posted on the EU in the World internet portal or the youth publication "50 Years, 50 Stories of Solidarity" published in May 2007 (http://ec.europa.eu/europeaid/reports/50-50/50-50_en.pdf).

141. Requests the Commission to inform Parliament, in time for the discharge concerning the financial year 2006, about the evolution of the commitments concerning the Ninth EDF, the situation with regard to previous EDFs and the situation with regard to payments. (§26)

Commission's response:

Information on commitments and payments for financial year 2006 is provided below in summary form. More details are given in the Provisional Accounts presented annually by the end of June.

Cumulated payments for the EDFs at 31.12.2006 are the following (in million EUR):

7th EDF : 10.244,12

8th EDF : 9.122,03

9th EDF: 4.459,85

Cumulated commitments at 31.12.2006 are the following (in million EUR):

7th EDF : 10.654,92

8th EDF : 11.050,29

9th EDF : 12.401,98

142. Urges the Commission to adopt measures forthwith to achieve the 20% target for share of EU funding spent on the basic health and basic education sectors, and inform Parliament in writing at least twice a year about the progress of implementation and about the factors taken into account in the calculation. (§29 (and §152 in the resolution on the general budget))

Commission's response:

The Commission is taking the recommended action.

In the course of the preparation of the DCI, the Commission has agreed to ensure that a benchmark of 20% of its allocated assistance under country programmes will be dedicated by the year 2009 to basic and secondary education and basic health, through project, programme or budget support linked to these sectors, taking an average across all geographical areas.

In a letter to the President of the Committee on Development of the EP (Mr. Borrell), the Commissioners Ferrero-Waldner and Michel reaffirmed their commitment to achieve this goal benchmark for the Commission assistance under the DCI regulation.

The programming exercises underway show a clear contribution to the 20% overall benchmark for basic health and education. Precise figures on the accomplishment of the 20 % benchmark can only be made available when the related projects and programmes will be identified in the course of the implementation of the agreed strategies.

143. Calls on the Commission to keep a closer watch on the emigration of skilled labour from developing countries to EU countries and to propose appropriate measures for enabling skilled people from developing countries to remain in, or return to, their home countries so that action by donors, for example in the health and education sectors, can be of long-term and effective benefit in combating poverty in the developing countries. (§32 (and §156 in the resolution on the general budget))

Commission's response:

Council endorsed the European Programme for Action to tackle the critical shortage of health workers (COM(2006)870) at the GAERC of 14 May 2007. The Commission has allocated €40 million for global and regional actions to increase training, promote maintenance and retention of the health workforce and to support initiatives which retain health worker where they are most needed, which encourage brain circulation rather than brain drain and which encourage migrant health workers to return to strengthen national health systems. The Commission will work with the Member States to produce a joint implementation strategy to ensure better coordination of European efforts to address the health workforce crisis. The Commission will be working with and through the World Health Organisation and the Global Health Workforce Alliance in order to improve information on migration of health workers, and to better coordinate the international response. Similar efforts will be made using research funds to help retain researchers, and the Erasmus/Nyrere programme will stimulate the exchange of students between southern academic institutions, to help build capacity and retain academic excellence in countries where these skills are an essential part of tackling poverty.

144. Calls on the Commission to press ahead with the environmental dimension in development policy, including measures to promote environmentally friendly energy supply. (§33 (and §161 in the resolution on the general budget))

Commission's response:

Via the EU Energy Initiative for Poverty Alleviation and Sustainable Development (EUEI), the Commission and Member States jointly promote access to environmentally friendly energy services. Energy efficiency and renewable energy are priority areas in the ACP-EC Energy Facility as well as in the Infrastructure Partnership and Trust Fund. Co-financing of projects will begin in 2007. The Commission will continue to promote environmentally friendly renewable energy and energy efficiency in future initiatives, also in the context of the Africa-Europe Energy Partnership.

In addition, the European Commission proposed creating a global risk capital fund to mobilise private investment in energy efficiency and renewable energy projects in developing countries and economies in transition. The Global Energy Efficiency and Renewable Energy Fund (GEEREF) will accelerate the transfer, development and deployment of environmentally sound technologies and thereby help to bring secure energy supplies to people in poorer regions of the world. These projects will also combat climate change and air pollution. The Commission will kick-start the fund with a contribution of €80 million over the next four years, and expects that financing from other public and private sources will take funding to at least €120 million. This means that it will contribute to the financing of investment projects of a value up to €1 billion.

The Commission will continue to pursue the environmental dimensions and objectives in the context of its development policy and co-operation as well in relevant discussions with non-EU partner countries. The preparations for the programme cycle of 2007-13 already illustrated our commitment to raising

increased awareness among partners through the discussions in the context of the Country specific Environmental Profiles (CEPs). The inclusion of environment as the third pillar of Sustainable development in all key programming guidance of the Commission is another clear indication of our commitment to the area. The mid-term review of the Country Strategy Papers and co-operation programmes in 2010 opens opportunities to take stock of progress in this area and further refine our approach in line with the comprehensive strategy (Action plan) to be developed during the course of 2007.

145. Insists on receiving, as requested in the previous discharge resolution, the Commission's assessment of the different possibilities for the European Community to cooperate with supreme audit institutions (SAIs) in countries which are the recipients of budget support. Asks the Commission to further explore the use of expertise of Member States' SAIs in order to step up public financial control in the partner countries. (§§ 36 and 37)

Commission's response:

The European Commission has now finalized an information document on support to SAIs in ACP countries which describes its on-going and planned support to these bodies, identifies best practice in this field (such as twinning arrangements between European and Developing countries SAIs) and calls for more concrete support to these institutions.

Furthermore the European Commission has started exploring the feasibility in the framework of the new financial regulations and of the new instruments to use more easily the expertise of Member States and to support specialized organisations such as INTOSAI and/or its regional emanations. Support to other key institutions equally vital for public accountability and financial transparency such as National Parliaments, General Inspection ... will be as well explored in ACP countries and in other regions, whether these countries are recipient of budget support or not.

146. Notes the ECA's view that a coherent overall control strategy with regard to the management of EDF funds and external aid has yet to be established. Asks the Commission to report, in the light of the ECA's concrete recommendations, on the progress achieved in the forthcoming annual activity reports. (§38)

Commission's response:

As recognised by the Court, the Commission's main supervisory and control systems have been continuously improved in recent years, inter alia on the basis of the recommendations made by the Court. The Commission reiterates its willingness to further improve the supervisory and control systems. Works relating to the formalisation of the overall control strategy are ongoing in 2007 in line with the Action Plan towards an Integrated Internal Control Framework and the Court's concrete recommendations. The status of these works was reported on Annex 2 of the 2006 EuropeAid's Annual Activity Report (AAR) concerning the Follow-up of the Synthesis of the Commission's management achievements in 2005. Section 2 on Management and internal control systems of the 2006 AAR was drawn up in conformity with the Standing instructions on the preparation of the

AARs which included a control template (developed on a pilot basis) which structure could be modified by the DGs in order to best reflect the nature of their activities.

147. Calls on the Commission to develop and implement a comprehensive approach towards supervision, control and audit of the implementing organisations so as to ensure that proper application of contractual procedures by the implementing organisations, which has too often not been the case hitherto. (§40)

Commission's response:

EuropeAid has continued to improve the quality of the already extensive control checks at the level of project implementing organisations, notably through the use and improvement of standard contract provisions. This includes, for instance, standard Terms of Reference and reporting model for external auditors to perform expenditure verifications to be submitted by the beneficiaries of Community funds prior to final payments, for grant and fee-based service contracts. These terms of reference, have been revised so as to reinforce the verification of compliance with the contract terms.

148. Calls on the Commission, with a view to improving financial supervision, to ensure that EuropeAid provides better support for the operational financial personnel in delegations and central services, arranges for better risk analysis focusing on particularly high-risk sectors and more monitoring visits, achieves better central supervision of performance and follow-up of external audits initiated by delegations and central services and initiates fewer ex post verifications while at the same time improving their scope, timing and quality control. (§41)

Commission's response:

EuropeAid attaches a paramount importance to the support of operational financial personnel in Delegations and Headquarters. It has developed the organisational structure as well as the tools needed for supporting and advising the devolved Delegations on the thematic, technical, methodological and operational aspects of the entire project life cycle from identification to the financing and implementation of the operations.

In order to deliver an optimal support, EuropeAid has invested substantial time in developing manuals, guidelines, orientations papers and assessment and working tools. This has been accompanied by a comprehensive and coherent training strategy of the staff both at Headquarters and Delegations.

As regards risk, EuropeAid has conducted its risk management exercise as part of the AMP process in conformity with the Commission Communication on risk and the AMP Circular. In the frame of this exercise, the most significant risks to the DG's activities and associated objectives have been identified and, where necessary, appropriate action plans have been established to deal with the critical risks.

A system of monitoring missions of the management of devolved operations by Delegations is established by EuropeAid geographic Directorates and it is

currently being reviewed in the light of experience acquired and lessons learnt during these last exercises.

The follow-up of audit results is part of the line-management functions in Delegations and Headquarters. From 2005 on, EuropeAid has reinforced the central monitoring on audit activities by carrying out an analysis of audit reports finalised during the reporting year. This central analysis aims to:

(i) contribute to the monitoring of audit activity at Headquarters and in the Delegations and,

(ii) learn lessons and propose appropriate measures to further improve the audit system. In addition, EuropeAid carries out a centralised follow up of the implementation of the AAP.

As regards the recommendation on ex-post verifications, in 2006, EuropeAid has reviewed the transactional ex post control methodology in line with, i.a., the Court's recommendations. The main elements of this reduction were: (i) reduction of the percentage coverage of the transactions to be controlled from 3% to 1% and (ii) increasing the scope and quality of the controls to be undertaken. The ex-post controls related to 2006 were completed on time for being used in the preparation of the 2006 Annual Activity Report.

149. Strongly supports the ECA's request that the Commission should set out in detail how it has followed up the ECA's audit findings in the annual activity reports and in the reports on financial management of the EDF funds. (§42)

Commission's response:

The 2006 EDF Financial Management Report details the responses given by the Commission to the Court of Auditors findings.

Recommendations in the resolutions concerning individual agencies

150. Notes that the Commission's budgetary responsibility calls for closer linking of the Agencies to the Commission; calls on the Commission and the Council to take all necessary steps to give the Commission a blocking minority in the supervisory bodies of the regulatory Agencies by 31 December 2007 and to provide for such a minority from the outset when new Agencies are set up. (DOC P6_TA-PROV(2007)0113 § 6)

Commission's response:

Le projet d'accord Interinstitutionnel (COM(2005)59) proposé par la Commission prévoit l'inclusion d'une clause de parité, octroyant aux représentants de la Commission un nombre de voix identique au nombre de représentants des Etats membres.

La représentation de la Commission et le nombre des voix dont elle dispose au sein des conseils d'administration des agences sont déterminés dans les actes de base de celles-ci par le législateur communautaire, qui n'a pas jusqu'à maintenant accordé à la Commission une minorité de blocage.

151. Notes that the number of Agencies is constantly increasing and that, in accordance with the Commission's political responsibility for the operation of the Agencies, which goes far beyond mere logistical support, there is an even higher need for the Directorates-General of the Commission charged with the setting up and monitoring of Agencies to develop a common approach to the Agencies; considers that a structure similar to the one created by the Agencies for coordination among the DGs concerned would be a pragmatic way forward towards a common approach by the Commission on all matters relating to the Agencies. (DOC P6_TA-PROV(2007)0113 § 10)

Commission's response:

C'est le co-législateur qui adopte les actes fondateurs des agences de régulation. En ce sens, il est responsable tant de l'accroissement du nombre des agences que du contenu final des dispositions applicables aux agences en matière de gouvernance. Toutes les agences de régulation sont soumises à des nombreux contrôles tels qu'organisés par leurs règlements de base et en particulier à des contrôles de nature administrative et budgétaire. La Commission a proposé en 2005 un projet d'accord interinstitutionnel pour un encadrement des agences de régulation, prévoyant des règles relatives à la création, au fonctionnement et au contrôle des agences de régulation (COM(2005)59).

Par ailleurs, la Commission anime depuis des années le réseau de correspondants des agences inter services.

152. Invites the Commission to improve administrative and technical support to the Agencies, taking into account the growing complexity of the Community's administrative rules and technical problems; agrees with the Court of Auditors that the Commission also bears responsibility for the (financial) management of the

Agencies; therefore, urges the Commission to monitor and where necessary direct and help the management of the different Agencies, especially in relation to the proper application of tender procedures, transparency of recruitment procedures, sound financial management (underspending and overbudgeting) and most importantly the proper application of the rules concerning the internal control framework. (DOC P6_TA-PROV(2007)0113 §§ 11+19)

Commission's response:

The agencies are independent bodies and have a separate discharge procedure for their administrative expenses. Thus, the Court's observations are a matter for the agencies themselves. Despite a lack of resources allocated in the budget to do so, the Commission helps agencies in complying with the compulsory legislation in a number of fields and its internal auditor collaborates with the Agencies' control systems in order to improve them in an efficient way. Thus, where the agencies request it, the Commission provides assistance and support to help them to understand and interpret the rules. The Commission has provided and will continue to provide extensive guidance to the Agencies on accounting issues through general and bilateral meetings, manuals and a free-of-charge helpdesk function for the agencies' questions. The Commission's Central Financial Service Helpdesk answers questions on the correct application of the financial rules for the EU. The number of questions posed to the helpdesk by Agencies increased significantly. In the first quarter of 2007, 20% of the questions received by the helpdesk of DG BUDG were from Agencies, compared with less than 5% in 2004. In addition, BudgWeb, the Commission's internal financial website is accessible to all Agencies. Staff of Agencies may participate in any financial training offered to Commission staff, and significant number does so. Furthermore, the CFS provides dedicated training on financial management (Expenditure Lifecycle, Procurement, Grants) for the Agencies upon request. Specifically in the area of procurement, the Commission publishes guidelines on BudgWeb, provides the Agencies with access to its helpdesk and has provided training to the "Inter Agency Legal Network" (IALN).

On the IT side, the Commission has offered its new accounting system (ABAC) to the Agencies. On 1.1.2007, 6 Agencies were already using the ABAC system and several agencies will join the system within the next 2 years. This IT integration project is a major investment old resources on the Commission' side and shows its willingness to support Agencies. All necessary support as regards the organisation and implementation of IT training will be offered by the CFS to agencies that have chosen to use BAC. More generally, there exist Service Level Agreements (SLA) which have been drawn up with many regulatory Agencies in 2006 in different areas of administration (PMO, training). For example, within the framework of the existing SLAs, prior to the implementation of ABAC, a training is being provided on ABAC and other IT tools.

On recruitment, in December 2005 the Commission adopted Guidelines on Staff Policy in Regulatory Agencies, which recommend a standardisation of agencies' selection procedures through a greater involvement of EPSO. Moreover, as Agencies have to adopt their implementing rules in agreement with the Commission pursuant to Article 110 of the Staff Regulations, these Guidelines encourage the adoption of rules designed to implement the Staff Regulations in

line with the Commission implementing rules with limited changes justified by the specific characteristics of Agency staff. Agencies are independent Community bodies, therefore it lays in their responsibility to submit their implementing rules to the Commission for its agreement. Nevertheless, the Commission has in cooperation with the Agencies elaborated models of implementing rules (also on the engagement and use of temporary agents and on contract agents) aiming to obtain a common core of principles and rules and a consistent application of the Staff Regulations to ensure equal treatment of staff subject to the Staff Regulations. Most Agencies have announced that the adoption of their missing implementing rules will be treated as a matter of priority.

In May 2007, a SLA between EPSO and certain Agencies were signed which provides the basis for the involvement of EPSO in Agencies' selection procedures (e.g. publication of vacancy notices, providing standard tests, providing access to the reserve list of successful tested candidates (CARL), etc.).

In 2005 a Helpdesk for Agencies was established in DG ADMIN which answers to Agencies' questions on the general interpretation and application of the Staff Regulations and assists by questions concerning individual cases.

The IAS provides the agencies with risk management and control assessment coupled with detailed audit recommendations. In the course of 2007, the IAS will also establish a network of Agencies' IACs to exchange information, provide guidance, disseminate best practices and increase professionalism of the internal audit function in the Agencies. The legal Service of the Commission already provides help to the Agencies via the Directorate General responsible for the contact with the specific Agency.

153. Notes the lack of a disciplinary body in any of the Community Agencies, and calls on the Commission to take the necessary steps to ensure that such a mechanism is rapidly put in place. (DOC P6_TA-PROV(2007)0113 § 12)

Commission's response:

Agencies have been assimilated with institutions and have therefore to apply article 5 of Annex IX of the Staff Regulations, which states that: "A Disciplinary Board [...] shall be established in each institution".

On this basis, it is the sole responsibility of each Agency to set up its own Disciplinary Board. The Commission cannot interfere in the competences of the Agency and ignore its legal independence by setting up a Disciplinary Board on behalf of the Agency.

Nevertheless, as Agencies have difficulties in finding among its own staff enough staff members with sufficient high grades in order to comply with the provisions of Article 5 of the Staff Regulations, the Commission did its best to assist the Agencies in 2006 to find a suitable solution in order to help them to cope with their statutory obligations.

As a result, the agencies have agreed to create a common list of potential Disciplinary Board members, to choose from when setting up a Disciplinary

Board. In 2006, Commission gave counsel and logistic support to the agencies for drawing up this list. For the agencies, this was first coordinated by the European Environment Agency (EEA), and from now on by the European Aviation Safety Agency (EASA). A first agreed list was sent to all agencies on 28 February 2007. From now on, agencies that have to set up a Disciplinary Board, can choose from this list (or select members themselves). The list will be continuously updated by the coordinator of the Agencies, (currently EASA), and Commission has no further operational role in this matter (but will continue to give advice, when asked).

154. Urges the Commission to adopt any measures it considers necessary to help the Agencies enhance their image and raise the profile of their activities. (DOC P6_TA-PROV(2007)0113 § 15)

Commission's response:

The Commission made available a portal in January 2006(http://europa.eu/agencies/index_en.htm).

The Commission also assisted the Agencies promoting in EUROPA their information campaign "Whatever you do, we work for you". This was first joint campaign ever to inform European citizens about the activities and services of the decentralised EU agencies and took place in December 2006 for a whole month.

In May 2007 the Commission added a new "EU Agencies in your country" link and related information in the "EU in your country" section of EUROPA (http://europa.eu/euinyourcountry/index_en.htm) completing an older request of the Agencies and corresponding to the "going local" priorities as they have been expressed in recent communication priorities.

The Commission met the Community Agencies Heads of Communication in order to reinforce cooperation between the Agencies and the Commission services and offered to the Agencies the possibility to:

- a) promote the work of the Agencies through daily articles published in the Commission homepage http://ec.europa.eu/index_en.htm*
- b) promote the work of the Agencies locally across the EU through the Commission's Representations network.*

As a follow up of this, several articles have already been published in the Commission homepage and 17 Representations have already promoted Agency-related projects at local level.

155. Calls upon the Commission to come up with a proposal to harmonise the format of the annual reporting by the Agencies and to develop performance indicators which would allow a comparison of their efficiency. (DOC P6_TA-PROV(2007)0113 § 16)

Commission's response:

La Commission accepte partiellement la recommandation formulée.

En effet, pour ce qui concerne les agences exécutives, les règles en matière de planification et de rendre compte sont similaires à celles appliquées par n'importe quel service de la Commission, tant pour ce qui concerne la forme que pour ce qui concerne le contenu.

Par contre, pour ce qui concerne les agence de régulation, c'e sont les actes de base qui établissent les critères auxquels doivent obéir les exercices de planification et de rendre compte. S'il est vrai que dans le projet d'accord interinstitutionnel il est prévu que la programmation des agences doit suivre les mêmes principes que ceux consignées en matière de gestion par activités pour les services de la Commission, il n'en est pas de même pour ce qui concerne la structure et le contenu des rapports annuels. La Commission considère, néanmoins, qu'il serait souhaitable, pour des raisons d'efficacité de gestion, que les mêmes principes puissent être appliqués.

156. As regards the European Foundation for Improvement of Living and Working Conditions (Eurofound), invites the Commission and the Foundation to continue to clarify the situation of non-cancelled appropriations. (DOC P6_TA-PROV(2007)0114 § 22)

Commission's response:

As stated by EUROFOUND in its replies to the report of the Court of Auditors (point 8), the Foundation and the Commission came in 2006 to an agreement on the nature and solution of the problem. The Foundation will gradually reduce the accumulated imbalance to zero within four years.

157. As regards the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), notes that at the end of 2004, a member of staff was sent on a long-term (two-year) mission to Brussels; invites the centre to explain fully this procedure; asks the Centre and the Commission to investigate the case and to take measures to avoid recurrence of such a case in the future. (DOC P6_TA-PROV(2007)0116 § 25)

Commission's response:

Il est important de noter, que ni la décision de créer un bureau de passage ni la décision du personnel qui y a été affecté, n'ont été soumises au Conseil d'Administration de l'Observatoire européen des drogues et des toxicomanies (OEDT). Dès que la Commission a été au courant de cette situation, ses représentants au sein du Conseil d'Administration ont fait des démarches pour que la situation cesse. Suite à la pression de la Commission cette question a été mise à l'ordre du jour du Comité Budgétaire et du Bureau Exécutif de l'Agence (organes qui préparent les décisions du Conseil d'Administration). En janvier 2005 le Conseil d'Administration de l'OEDT a demandé au directeur ad intérim de l'OEDT de prendre les mesures nécessaires afin de régulariser la situation de la mission longue durée de l'agent en poste à Bruxelles. Lors de la prise de fonctions du présent directeur, en mai 2005, cette question était déjà réglée. La Commission n'a pas de raisons de croire qu'une situation similaire se reproduise dans le contexte actuel. Finalement, en ce qui concerne le rôle de la Commission dans cette affaire, il faut prendre en considération le fait que le directeur de l'agence est

le seul compétent pour les questions de personnel, et que le Conseil d'Administration est l'AIPN (autorité investie de pouvoir de nomination). De plus, même quand les affaires sont soumises au Conseil d'administration, la Commission n'y dispose pas de minorité de blocage, détenant actuellement 2 votes sur 31.

158. As regards the Translation Centre for the Bodies of the European Union, expresses its hope that the conflict between the Centre and the Commission as to the employer's portion of pension contributions for staff can be solved as quickly as possible. (DOC P6_TA-PROV(2007)0119 § 23)

Commission's response:

In June 2006, the Commission has lodged a complaint with the European Court of Justice in this dossier. Written arguments were presented by both parties in the last months of 2006, the Court is expected to hear the parties in late 2007 - early 2008.

The Commission continues to follow this case and will inform Parliament when new developments take place.

159. Underlines that Eurojust still does not have its own financial regulation and has continued to apply Regulation (EC, Euratom) No 2343/2002; invites the Commission to inform Parliament of its opinion concerning the draft regulation submitted by Eurojust. (DOC P6_TA-PROV(2007)0121 § 23)

Commission's response:

The Commission took position in its Decision C/2006/1479 of 30.3.2006 on the draft regulation submitted by Eurojust and suggesting derogations from Regulation (EC, Euratom) N° 2343/2002 on the Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) N° 1605/2002. By this Decision the Commission accepted the derogations which it considered necessary for the functioning of the Eurojust in the light of its specificity.

160. As regards the European Food Safety Authority (EFSA), notes that buildings intended to house the Authority permanently are still not available and that the Authority was thus obliged to rent and fit out temporary premises (cost in 2005: approximately EUR 3 500 000); invites the Authority, together with the Commission, to clarify this situation with the national authorities, in particular with a view to any financial compensation. (DOC P6_TA-PROV(2007)0125 § 28)

Commission's response:

The Authority works regularly with local authorities in order to progress on its Final Seat project which should be completed in 2009. EFSA is also in contact with the national authorities and the Commission will advise EFSA to clarify in the next meeting with these authorities the situation created by the non availability of a building for EFSA, including the possibility of a financial compensation.

161. As regards the European Centre for Disease Prevention and Control (ECDC), insists that requests to the Commission for the payment of subsidies should be justified by a forecast of cash needs (Article 50 of the Centre's financial regulation) and regrets that the Centre had no such system for producing forecasts. (DOC P6_TA-PROV(2007)0126 § 25)

Commission's response:

2005 was ECDC's first year of activity, thus it was not representative of its way of operating. As of February 2006 projections on cash needs were introduced, and as the Centre further developed its reporting systems the cash flow projections was further refined. Each requests for funding from ECDC is now supported by an updated forecast of their needs.

162. As regards the European Agency for Reconstruction (EAR), insists that the Commission prolong the Agency's activity, which is scheduled to end in 2008; is of the opinion that the Agency should be transformed into an Agency for implementation of certain EU external actions, which transformation should be based on a prior cost-benefit analysis, in particular with a view to managing post-conflict situations, while being careful to avoid any overlap with the activities of other European or international organisations, in order to prevent acquired expertise being lost; considers that the Agency has not only the systems (logistics, IT systems, and others) to implement swiftly large amounts of support in post-conflict areas, but that it has especially also proven high levels of expertise and know how in post-war reconstruction; is convinced that at a point where the Commission wants to take over the management of the new Instrument for Pre-Accession Assistance in view of the acquis-related tasks related to the Balkans, the Agency should take over the tasks required by a "RELEX external actions Agency"; considers that a new mandate of this successful agency would be the most efficient way to implement the new tasks in external actions, which cannot be implemented by Commission services in Brussels or by delegations of the Commission; considers that the Agency could play a most efficient role in areas where traditional development assistance cannot be implemented; considers also that this would significantly increase the EU's visibility. (DOC P6_TA-PROV(2007)0136 §§ 23 + 25-28)

Commission's response:

The Commission does not agree with Parliament's recommendation to change the mandate of the European Agency for Reconstruction (EAR). Based on its report on the Future of EAR (COM(2005)710 of 23 December 2005), the Commission proposed in April 2006 an amended draft regulation extending the lifetime of EAR with two years until 31.12.2008 in order to gradually phase out its activities under CARDS. After a positive opinion of the European Parliament the Council accepted the Commission's proposal. Given that the Western Balkans have moved from a stage of reconstruction to one of pre-accession, the Commission should be directly involved in the whole project cycle, i.e. planning, programming and implementation, of financial assistance through its headquarters (DG ELARG) and its delegations in the candidate and potential candidate countries.

It is expected that a large number of Agency staff will apply for posts in the EC Delegations/Office. Their likely recruitment, which will be carried out in full

respect of the Commission's open and transparent selection rules and procedures, would ensure continuity in the implementation of the EC assistance programmes under the new IPA regulation from 2007 onwards. This is an example of the way the Commission intends to continue benefiting from the experience and know-how acquired by the EAR and its staff.

163. As regards the European Agency for Reconstruction (EAR), calls on the Commission to inform Parliament which reasons, other than its intention to close the Agency in 2008, led to the fact that the Agency was not given the task of implementing the Union's special programme for the northern part of Cyprus and aid to the Palestinian population. (DOC P6_TA-PROV(2007)0136 § 24)

Commission's response:

The Commission will not be taking the recommended action.

The regulation establishing the aid programme for the Turkish Cypriot community foresaw indeed the possibility either of direct implementation of the whole programme by the Commission or of entrusting the European Agency for Reconstruction (EAR) with the implementation of part or all of the allocated funding. In 2006, the main reason not to proceed with the EAR was indeed the decision to close the Agency by the end of 2008, in the middle of the contracting period for the programme in question.

However, direct implementation by the European Commission is an appropriate solution for this aid programme, given the unique legal, diplomatic and political context within which implementation is taking place.