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THE EUROPEAN UNION**

**Brussels, 7 January 2013**

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**FIN 3**

**COVER NOTE**

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from: Mr Vítor CALDEIRA, President of the European Court of Auditors  
date of receipt: 19 December 2012  
to: Mrs Erato KOZAKOU-MARCOULLIS, President of the Council of the  
European Union

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Subject: Special report No 19/2012: 2011 report on the follow-up of the European Court  
of Auditor's special reports

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Madam,

I enclose a copy of special report No 19/2012 entitled "2011 report on the follow-up of the European Court of Auditor's special reports" together with the Commission's replies.

The special report was adopted by the Court at its meeting on 16 October 2012 and is accompanied by the replies from the Commission, which was notified of the preliminary findings on 27 July 2012.

(Complimentary close).

(s.) Vítor CALDEIRA

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Encl.: Special report No 19/2012: 2011 report on the follow-up of the European Court of Auditor's special reports<sup>1</sup>

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<sup>1</sup> In English only. The other languages of this report are available on the European Court of Auditor's website: <http://eca.europa.eu/>.

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ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ  
EUROPEAN COURT OF AUDITORS  
COUR DES COMPTES EUROPÉENNE  
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EUROPEISKA REVISIONSRÄTTEN

Special report No 19/2012

(pursuant to Article 287(4), second subparagraph, TFEU)

2011 report on the follow-up of the  
European Court of Auditors' Special Reports

together with Commission's replies

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**ACRONYMS AND ABBREVIATIONS**

ALA	Asian and Latin American countries
APC	African, Caribbean and Pacific countries
CISOCH	Civil Society Helpdesk
EACI	Executive Agency for Competitiveness and Innovation
GAEC	Good Agricultural and Environmental Conditions
IEE	Intelligent Energy for Europe
IPA	Instrument for Pre-Accession Assistance
LFA	Less-Favoured Areas
LIFE	Financial Instrument for the Environment
MIPD	Multi-Annual Indicative Planning Document
NSA	Non-State Actors
PADOR	Potential Applicant Data On-line Registration
RAD	Recommendations, Actions, Discharge (Database)
SMR	Statutory Management Requirements
TC	Technical Cooperation

## **EXECUTIVE SUMMARY**

I. This report reviews the extent to which the Commission has implemented the recommendations in seven of the Court's special reports selected from the period 2003-2009. The Special Reports followed up were in respect of three budgetary areas: agriculture, energy, and external actions.

II. The seven reports contained 51 audit recommendations, of which 45 are still relevant.

III. While the Commission has a system in place to follow-up all recommendations of the Court and the requests of the Parliament and the Council the Court considers that the follow-up of recommendations/requests needs to be strengthened to enable the Commission to respond in a timely, efficient, and effective manner to the underlying weaknesses uncovered as well as to the recommendations/requests of the Court and the discharge authority.

IV. The review has shown that the Commission takes action to implement the Court's recommendations and 13 (29 %) of the recommendations dealt with in this report are fully implemented. A large number are still being implemented, although for a further 22 (49 %) of the recommendations the actions already taken by the Commission implement these in most respects.

## **INTRODUCTION**

1. This report presents the results of the work carried out by the Court in 2011/2012 concerning the follow-up of the recommendations of the Court's Special Reports on performance audit<sup>2</sup>. **Annex I** gives an overview of the status of the recommendations which were reviewed. **Annexes II to VIII** present the details of the follow-up.
2. Seven reports were selected for this follow-up exercise from the period 2003-2009. The selection was made firstly on the basis of whether more than two to three years have elapsed for the Commission to address the recommendations, and secondly, whether the recommendations are still relevant. **Annex IX** presents a listing of the Court's Special Reports for the period 2005 to 2009 with details of the Court's follow-up actions for these reports.
3. The follow-up of audit reports is considered by international auditing standards as the final stage in the performance audit cycle of planning, execution and follow-up. The objective of this follow-up exercise is to assess actions taken by the Commission in response to the Court's recommendations.

## **SCOPE AND APPROACH**

4. The Court assessed the corrective actions taken by the Commission in response to the Court's recommendations. This work did not include an assessment of the effects of these actions as this would require separate follow-up audits. Details of the approach and methodology used are contained in **Annex X**. The Special Reports mentioned in the **Table** are the subject matter of this report:

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<sup>2</sup> The content and scope of this work is explained in the section on scope and approach.

**Table - Special reports followed up in this report**

Special Report	Budgetary area	Number of audit recommendations
4/2003 concerning rural development: support for less-favoured areas <sup>1</sup>	Agriculture	11
13/2003 concerning production aid for cotton <sup>2</sup>	Agriculture	6
11/2009 The sustainability and the Commission's management of the LIFE-Nature projects <sup>3</sup>	Agriculture	9
7/2008 Intelligent Energy 2003-2006 <sup>3</sup>	Energy	4
6/2007 on the effectiveness of technical assistance in the context of capacity development <sup>4</sup>	External actions	8
4/2009 The Commission's management of Non-State Actors' involvement in EC Development Cooperation <sup>3</sup>	External actions	7
16/2009 The European Commission's management of pre-accession assistance to Turkey <sup>3</sup>	External actions	6
<b>Total number of recommendations</b>		<b>51</b>

<sup>1</sup> OJ C 151, 27.6.2003.

<sup>2</sup> OJ C 298, 9.12.2003.

<sup>3</sup> <http://eca.europa.eu>

<sup>4</sup> OJ C 312, 21.12.2007.

## **COMMISSION'S SYSTEM FOR FOLLOW-UP OF RECOMMENDATIONS**

5. The RAD database<sup>3</sup> records the recommendations of the Court, the requests of the Council and the Parliament and the specific actions agreed by the Commission to address these recommendations/requests. Such a tool serves an important function in ensuring the proper and timely management and follow-up of recommendations/requests of the Court and other stakeholders.

<sup>3</sup> RAD (Recommendations, Actions, Discharge) is a Commission (DG BUDGET) application for inter-service coordination of the discharge procedure. It contains recommendations/requests to the Commission by the Council, the Parliament and the ECA, the Commission's response and the status of the follow-up action.

6. In 2009, the Court carried out a pilot review of the RAD system, in particular studying information in this database on recommendations accepted by the Commission and those implemented.

7. In 2011 ten internal audit capabilities representing twelve Directorates-General of the Commission carried out an internal audit of the systems and procedures in place for the management of RAD. The purpose of the audit was to determine the existence of an adequate reply/action plan and to provide assurance that actions, which were reported in RAD as completed, were implemented in a timely, efficient, and effective manner.

8. The results of the Commission's internal audit largely confirmed the conclusions of the Court's pilot review. In particular, the internal audit found that while the systems and procedures in place provide reasonable assurance regarding the management of the implementation of the recommendations/requests issued by the ECA and the discharge authority respectively, there were many instances of an absence of documented procedures, and inadequate supervision and monitoring of the implementation of recommendations/requests..

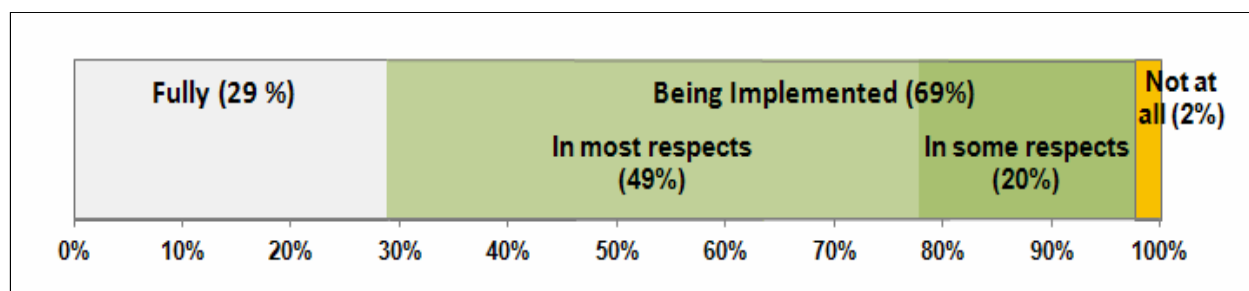
### **COMMISSION'S RESPONSE TO THE COURT'S RECOMMENDATIONS**

9. In the Special Reports reviewed, the Court presented 51 recommendations. Approximately two-thirds of these related to effectiveness issues (e.g. the setting of strategic objectives, the preparation of project proposals, the design of projects, project performance, and monitoring and evaluation), with the remaining recommendations dealing with economy and efficiency issues (e.g. the occurrence of overpayments and the quality and timeliness of project selection methods). Out of the 51 recommendations, six are not covered by the ***Figure***. Of those six recommendations, two were not applicable under the current framework, and in four other cases it was not possible to obtain evidence of actions taken due to the scope of the follow-up exercise.



10. This means that the Court could assess the status of implementation of 45 recommendations. The Commission fully implemented 29 % of these 45 recommendations, while 69 % are being implemented. The **Figure** shows the state of implementation of the Court's recommendations.

**Figure - State of the implementation of recommendations**



### **SUMMARY OF THE COURT'S FOLLOW-UP REVIEW**

11. The review has shown that the Commission has fully implemented 13 of the Court's recommendations from the reports selected. Older recommendations tend to have a higher implementation rate whereas the most recent ones are still being implemented. Apart from the fully implemented recommendations, 22 recommendations are met in most respects but the Commission needs to take some further steps to fully address them. These are indicated in **Annex I**.

12. The Court's follow-up exercise indicates that, as a result of the Court's audit reports, improvements in financial management have taken place in a number of areas of the EU budget. However, important opportunities still remain to improve management practices in areas directly managed by the Commission (external actions) and those implemented under shared management arrangements (agriculture). Some examples of such improvements and opportunities reviewed in the follow-up exercise are presented below.

13. A strategic improvement to the **economic use** of EU funding was noted in the Commission's reform of the cotton support scheme. As a result of the

reform to the scheme, EU aid for cotton is no longer linked to production levels, but responds instead to the market demand (agriculture)<sup>4</sup>.

14. At an operational level however, poor management practices can lead to the wasting of resources. For example, **overpayments** of EU aid result in poor economy being achieved in the pursuit of objectives. There remains a need to strengthen management systems for ensuring the accuracy of payment calculations in the Member States (agriculture)<sup>5</sup>.

15. Improvements in the selection procedures for projects leading to **better quality and more timely projects** were noted. For example, measures taken by the Commission/Turkish authorities contributed to the improved quality of the project design and application processes in 2010-2011 (external actions)<sup>6</sup>. The Commission agreed to review the selection procedure for LIFE-Nature projects, to give a higher priority to the sustainability criterion for the Nature and Biodiversity component, and to shorten the selection procedure (agriculture)<sup>7</sup>.

16. The Commission also took various initiatives to strengthen non-state actors' involvement in EU external cooperation through contracts to implement EU development aid. A key initiative was the development of the 'structured dialogue' between the main stakeholders in European development policy, which contributed to proposals for improvements in project selection methods, for faster and better targeted aid (external actions)<sup>8</sup>.

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<sup>4</sup> See Annex III on the follow-up of Special Report No 13/2003 concerning production aid for cotton.

<sup>5</sup> See Annex II on the follow-up of Special Report No 4/2003 concerning rural development: support for less-favoured areas.

<sup>6</sup> See Annex VIII on the follow-up of Special Report No 16/2009 The European Commission's management of pre-accession assistance to Turkey.

<sup>7</sup> See Annex IV on the follow-up of Special Report No 11/2009 The sustainability and the Commission's management of the LIFE-Nature projects.

<sup>8</sup> See Annex VII on the follow-up of Special Report No 4/2009 The Commission's management of Non-State Actors' involvement in EC Development Cooperation.

17. If good and effective results are to be achieved with EU funds, it is important in the first instance to **identify the needs** which a programme or measure intends to address. Secondly, good **project design and proper implementation** procedures increase the likelihood of achieving value for money. Initiatives leading to such improvements were taken by the Commission regarding compulsory needs assessments and better scheduling of contracting (external actions)<sup>9</sup>. However, better defined criteria for assessing the sustainability of proposed projects still need to be introduced (agriculture)<sup>10</sup>.

18. Good **management information** increases the likelihood of better decision-making. Opportunities continue to exist for the Commission to increase the potential effectiveness of funding through better prioritisation of actions and by matching project costs with their expected outputs and impacts (energy)<sup>11</sup>. The Commission proposes that the next LIFE regulation should contain a comprehensive set of performance indicators to facilitate better planning and programming.

19. The **monitoring and evaluation** of the implementation of programmes and actions is important, not only in matters of legality and regularity, but also in the delivery of planned outcomes. While improvements have occurred in the monitoring of programmes' results, e.g. measures taken by the Commission to enhance the monitoring system in Turkey (external actions), and in administrative costs (energy), further improvements are needed, specifically in monitoring the application of controls as regards financial and environmental

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<sup>9</sup> See Annex VIII on the follow-up of Special Report No 16/2009 The European Commission's management of pre-accession assistance to Turkey.

<sup>10</sup> See Annex IV on the follow-up of Special Report No 11/2009 The sustainability and the Commission's management of the LIFE-Nature projects.

<sup>11</sup> See Annex V on the follow-up of Special Report No 7/2008 Intelligent Energy 2003-2006.

requirements (agriculture)<sup>12</sup> and in the reporting of individual project outcomes (external actions)<sup>13</sup>.

20. A brief summary of the audits; recommendations, the subsequent action taken by the Commission, and performance issues which remain to be addressed, are contained in **Annexes II to VIII** to this report.

## **CONCLUSION**

21. The Commission has a system in place to follow-up all recommendations of the Court and the requests of the Parliament and the Council. The Court considers that the follow-up of recommendations/requests needs to be strengthened to enable the Commission to respond in a timely, efficient, and effective manner to the recommendations/requests of the Court and the discharge authority.

22. The review has shown that the Commission takes action to implement the Court's recommendations and 13 (29 %) of the recommendations dealt with in this report are fully implemented. A large number are still being implemented, although for a further 22 (49 %) of the recommendations the actions already taken by the Commission implement these in most respects.

This Report was adopted by Chamber CEAD, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 16 October 2012.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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<sup>12</sup> See Annex III on the follow-up of Special Report No 13/2003 concerning production aid for cotton.

<sup>13</sup> See Annex VIII on the follow-up of Special Report No 16/2009 The European Commission's management of pre-accession assistance to Turkey.

**OVERVIEW OF THE RECOMMENDATIONS WHICH WERE REVIEWED BY  
THE COURT**

	Per Audit	Fully Implemented	Being Implemented		Not Implemented	N/A Under The Current Framework	Insufficient Evidence
			In most Respects	In Some Respects			
<b>SR 4/2003</b> Rural development: support for less-favoured areas (Annex II)	1	x					
	2			x			
	3	x					
	4			x			
	5					x	
	6			x			
	7					x	
	8						x
	9						x
	10			x			
	11						x
<b>SR 13/2003</b> Production aid for cotton (Annex III)	1	x					
	2	x					
	3	x					
	4			x			
	5			x			
	6			x			
<b>SR 11/2009</b> The sustainability and the Commission's management of the LIFE-Nature projects (Annex IV)	1	x					
	2			x			
	3			x			
	4	x					
	5	x					
	6	x					
	7	x					
	8					x	
	9				x		
<b>SR 7/2008</b> Intelligent Energy 2003-2006 (Annex V)	1		x				
	2		x				
	3			x			
	4			x			
<b>SR 6/2007</b> Effectiveness of technical assistance in the context of capacity development (Annex VI)	1						x
	2	x					
	3				x		
	4			x			
	5			x			
	6	x					
	7			x			
	8				x		
<b>SR 4/2009</b> Non-State Actors' involvement in EC Development Cooperation (Annex VII)	1	x					
	2			x			
	3			x			
	4			x			
	5			x			
	6			x			
	7			x			
<b>SR 16/2009</b> Pre-accession assistance to Turkey (Annex VIII)	1			x			
	2			x			
	3			x			
	4			x			
	5			x			
	6			x			
<b>TOTAL</b>	<b>51</b>	<b>13</b>	<b>22</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>4</b>

**AGRICULTURE: LESS-FAVOURED AREAS**

1. Special Report 4/2003 concerned rural development support for less-favoured areas.

“The support scheme for less-favoured areas (LFAs) grants aid to 55,8 % of the EU's agricultural holdings. The aid is granted per hectare and is designed to compensate for existing handicaps, e.g. agricultural holdings in agricultural areas with poor productivity where the accelerated decline in activity may jeopardise the viability of the area. The annual cost of this aid is some 2 000 million euro, of which roughly 50 % is financed from EU Funds”.

(Source: Information Note ECA/03/11)

2. The Court examined whether the implementation of the scheme was legal and regular; whether it was being appropriately monitored; whether relevant information on its impact was available, and whether timely action was being undertaken to correct any deficiencies.

3. The Court recommended that:

(1) a complete and in-depth review of the existing classification of all LFAs be performed (fully implemented), and

(2) that the Commission should develop, in close collaboration with the Member States, a more appropriate set of indicators for identifying LFAs (implemented in some respects).

The Court stressed that:

(3) sound information on the impact of the scheme should be available (fully implemented),

(4) that all cases of systematic overcompensation should be identified, corrective measures taken (implemented in some respects), and

(5) "good agricultural practices" be defined clearly and verifiably (not relevant under current framework).

The Court also recommended that the Commission should:

(6) develop an inventory of existing regional/local practices in relation to specific farming conditions (implemented in most respects),

(7) give full guidance to Member States on the requirements of an effective control system (not relevant under current framework ),

(8) ensure that the checks performed are effective (insufficient evidence<sup>1</sup>),

(9) ensure that the Member States comply with the generally accepted accounting principles (insufficient evidence<sup>2</sup>),

(10) should ensure that the Member States comply with the obligation to present complete data in good time (implemented in most respects), and

(11) define relevant indicators in order to ensure that it can be monitored (insufficient evidence<sup>2</sup>).

4. The Court's recommendations were fully addressed in two cases (1 and 3), addressed in most respects in two cases (6 and 10) and addressed in some respects in two cases (2, 4). Two cases were not applicable under the current revised framework (5 and 7) and in three cases (8, 9, and 11) the Commission has provided insufficient evidence or there was no final assessment from the Court's auditors due to the limitations in the scope of the audit. See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow-up.

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<sup>1</sup> The present follow-up exercise did not include visits to Member States.

<sup>2</sup> See footnote 1.

## **Classification of LFAs**

6. The Court's Special Report on LFA was published in 2003 and identified that Member States used a wide range of indicators to determine whether areas are less favoured, which may have led to disparities in the treatment of beneficiaries.

7. Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development<sup>3</sup> provided a stricter definition for the classification of LFAs. However, as this definition did not enter into force, the Council decided to maintain the previous LFA system and called for the Commission to follow-up the review process with the plan to introduce an new system in 2010. However, in 2010 no new system was introduced therefore the determination of LFA is still affected by the shortcomings identified by the Court in 2003.

## **Overcompensation / Definition of regions**

8. The recommendation to examine how possible overcompensation payments can be identified and prevented was only addressed in some respects. There remains no obligation on Member States to ensure that appropriate expertise is provided by bodies or services functionally independent from those calculating the payments, in order to confirm the accuracy of the payments, as is obligatory for other rural development measures.

9. In October 2011 the Commission presented its legal proposal for the new rural development programming period 2014-2020 which contains a new definition of LFA based on biophysical criteria and an obligation to ensure that appropriate expertise is provided by bodies or services functionally independent from those calculating the payments.

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<sup>3</sup> OJ L 277, 21.10.2005, p. 1.



### **Good agricultural practices**

10. Concerning the definition of “good agricultural practices<sup>4</sup>”, Regulation (EC) No 1698/2005 no longer makes reference to this requirement, as an obligation for farmers. Instead, following the 2003 CAP reform, farmers have to respect the cross-compliance obligations, entailing the Statutory Management Requirements (SMR) and the Good Agricultural and Environmental Conditions (GAEC). These represent the minimum requirements for receiving LFA payments under the current framework.

11. Furthermore, within its annual financial audit activities related to the DAS, the Court identified repeatedly that LFA payments (“Natural handicap” payments under current measures 211 and 212) were prone to errors. Member States’ controls systems are also the subject of the Court’s DAS activities, in which LFA-related shortcomings have been regularly identified.

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<sup>4</sup> The cross compliance framework (GAEC plus SMR) is in general comparable with the good agricultural practices.

**AGRICULTURE: PRODUCTION AID FOR COTTON**

1. Special Report 13/2003 concerned production aid for cotton.

“Within the EU cotton is grown almost exclusively in Greece and Spain. After harvesting, the fibres are separated from the seeds and waste material by a process known as ginning. The EU produces about 1,6 million tonnes of unginning cotton which provides a yield of about 0,5 million tonnes of fibres (ginning cotton). This level of production meets about 47 % of internal needs. The balance is made good by imports which enter the Community duty free and levy free”.

(Source: Information Note ECA/03/020)

2. In its Special Report, the Court assessed the monitoring of the operation of the scheme in the Member States; whether the scheme was an efficient and effective means of providing support to cotton producers; the impact of the scheme on production, the quality of the cotton produced, alternative crop production and the environment; the reliability of the internal control system operating in the Member States, and the legality and regularity of payments made under the regime.

**The Court's recommendations**

3. The Court recommended that the Commission take the opportunity of the proposed reform to address weaknesses in the regime, in particular that it:

- (1) have regard to the relative attractiveness of the aid for cotton and the effect of the aid on quantities produced (fully implemented),

- (2) consider the incorporation of a mechanism which ensures budget neutrality (fully implemented),

- (3) review the financial arrangements for the ginners (fully implemented),

- (4) examine the effectiveness of the incentive offered to improve the quality of the cotton produced (implemented in most respects),
- (5) obtain data on the negative impact of cotton production on the environment (implemented in most respects), and
- (6) ensures that the controls are transparent, well-founded and applied consistently (implemented in most respects).

4. The Court's follow-up found that the Commission implemented all six recommendations, the first three fully and the second three in most respects. See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow-up.

#### **The reform of the scheme**

6. Since the Court's Special Report on production aid in 2003, the EU cotton aid has been reformed substantially, and the reforms have introduced important changes to the cotton support scheme, notably its partial inclusion in the Single Payments Scheme (SPS) and the introduction of restructuring aid for the ginning industry. At the time of the Court's previous audit, the support was paid to ginners so that cotton growers benefited only indirectly. In 2006 the production aid was abolished and cotton growers received SPS payment entitlements corresponding to 65 % of the former support. In addition, a new crop specific payment was introduced whereby 35 % of the original support is paid to each farmer growing cotton. Since 2008, national restructuring programmes are funded from the EU budget to facilitate restructuring in the cotton ginning industry and to enhance the quality and marketing of the cotton produced.

7. Although the Commission has addressed most of the issues there is still a need for it to:

- further monitor the restructuring of the ginning industries in the principal producing states (Spain, Greece) – see recommendation 3 above,
- monitor the effectiveness of the quality measure introduced after the reform, based on Article 69 of Regulation (EC) No 1782/2003<sup>1</sup> (Spain) – see recommendation 4 above,
- follow-up fulfilment of environmental requirements – see recommendation 5 above,
- ensure the monitoring of the correct application of controls, concerning also the cotton production in the framework of the reformed cotton aid scheme (cotton area aid and the SPS) in the Member States. ) – see recommendation 6 above.

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<sup>1</sup> Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001 (OJ L 270, 21.10.2003, p. 1).

## **AGRICULTURE: THE SUSTAINABILITY AND THE COMMISSION'S MANAGEMENT OF THE LIFE-NATURE PROJECTS**

1. Special Report 11/2009 concerned the sustainability and the Commission's management of the LIFE-Nature projects.

"In this Special Report the European Court of Auditors assesses the effectiveness of the European Commission's management of the grants paid to LIFE-Nature projects in terms of the sustainability of their results. LIFE-Nature, a component of LIFE, co-finances projects in the Member States, mainly in relation to Natura 2000 sites, in favour of the conservation of species and habitats".

(Source: Information Note ECA/09/49)

2. The Court examined whether the revised selection process prioritised the projects that offered the highest expectation for sustainability; whether the projects were adequately implemented and monitored; whether the Commission ensured that information on project results and lessons learnt were appropriately disseminated, and whether projects were followed-up and their results assessed in the long term.

3. The Court recommended that the Commission should:

(1) review its selection model (fully implemented),

(2) prioritise LIFE-Nature project proposals via the selection model (implemented in some respects), and

(3) consider ways of shortening the selection procedure (implemented in most respects).

It also recommended that the Commission should:

(4) improve project monitoring (fully implemented),

(5) develop appropriate indicators and criteria (fully implemented).

Concerning communication, the Court recommended that the Commission should:

(6) review its communication strategy, activities and tools (fully implemented), and

(7) require beneficiaries to provide more technical details on the methods used, lessons learnt and best practices (fully implemented).

It also recommended that:

(8) grant agreements should commit beneficiaries to sustaining the project results for a minimum period after the project closure (not implemented),

(9) the introduction of a follow-up scheme for the “after-LIFE funding” should be considered by the Commission (implemented in some respects).

4. Five of the nine recommendations were fully implemented (1, and 4-7), including those related to the review of selection models, implementation of projects (monitoring, indicators, criteria) and dissemination of results. One was implemented in most respects (3), two in some respects (2 and 9) and one was not implemented (8). See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court’s follow-up.

### **Selection procedure**

6. The Commission agreed to review the selection procedure in order to shorten it and make the sustainability criterion more visible for the Nature and Biodiversity component. The evaluation guide was reformulated and two separate procedures were put in place (Environment-Nature). However, the criterion for “sustainability” is still included as a sub-criterion of “Contribution to the general objectives of Life+” without a separate weighting. Therefore the Commission has yet to define a separate selection criterion for sustainability.

**Implementation of projects**

7. The Commission introduced in the project evaluation form a section entitled “Project results assessment” in order to improve project monitoring. More stringent requirements were also added to the “Common Provisions and Guidelines for applicants” as regards management plans. Concerning indicators, the Commission proposed that the next LIFE regulation would include a comprehensive set of indicators.

**Dissemination of knowledge acquired**

8. The future obligation on beneficiaries to network is an improvement for the dissemination of project results. Updated summaries of projects have also been placed on the Internet.

**Long-term management of project results**

9. A follow-up scheme for the “after-LIFE funding” is being introduced. The Commission created a methodology for LIFE ex-post monitoring for at least 15 LIFE Nature projects each year. However, the recommendation to commit beneficiaries to sustaining the project results (minimum five years after project closure) has not been addressed, following a negative opinion from the legal service of the Commission.

**ENERGY: INTELLIGENT ENERGY 2003-2006**

1. Special Report 7/2008 concerned Intelligent Energy 2003-2006.

“The IEE (Intelligent Energy for Europe) Programme for 2003-2006 had a budget of 250 million euro to promote energy efficiency, the use of renewable energy sources and energy diversification. This was used to support nearly 450 projects involving more than 1 700 bodies. The programme promoted exchanges of experience and know-how, rather than the development of new technology”.

(Source: Information Note ECA/08/18)

2. The Court examined how the Commission allocated IEE funds; how the Commission monitored and evaluated the programme; what the administrative costs of the programme were, and what difference the executive agency made to the management of the programme.

3. The Court recommended that:

(1) programme proposals should be based on an explicit policy model and reflect the expected link between expenditure, output and impact (implemented in most respects),

(2) monitoring should look beyond individual projects and assist in forming a view of a programme as a whole (implemented in most respects),

(3) evaluation of a programme should maximise its usefulness (implemented in some respects), and

(4) a more systematic recording and analysis of information on the administrative cost of programmes should be available (implemented in most respects).



4. The review found that three recommendations have been implemented in most respects (1, 2 and 4) and one in some respects (3). See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow up.

### **Links between programme expenditure, outputs and impacts**

6. In its replies to the Special Report, the auditee accepted that there was a need for an explicit policy model reflecting the link between expenditure, output and impact for the IEE. It considered, however, that such a policy model existed for each intervention area of the Commission and that therefore no additional action was necessary.

7. The review found however, that the Commission and the Executive Agency for Competitiveness and Innovation (EACI) have introduced an improved system of indicators to measure the overall impact of the programme, financed actions are more focused and a deeper analysis of needs for key intervention areas has also been carried out. However, the prioritisation of financed actions requires attention, and the link between expenditure, output and impact at the level of IEE II key intervention areas remains difficult to establish.

### **Improved monitoring and evaluation arrangements**

8. The Commission undertook to partially implement this recommendation concerning improving programme monitoring and evaluation and the use of the evaluation results when planning future activities.

Nevertheless, the programme monitoring and evaluation do not facilitate measuring of programme impact: e.g. the annual implementation reports, available for 2008 to 2010, have not provided information in respect of the programme's (or its projects') results or impact. Programme evaluations have been undertaken in accordance with regulatory requirements, but more use of "longitudinal" evaluations could have been made.

**Systematic monitoring of programmes' administrative costs**

9. The follow-up review indicated that the Commission had explored ways to reduce the administrative burdens for both the implementing agency and the beneficiaries. The Commission and the EACI introduced multiple simplification measures aiming to reduce the administrative costs and especially the beneficiaries' administrative burden. The Court concluded that, while in most cases it would not be possible to quantify money or time saved, the measures are likely to result in efficiencies.

**EXTERNAL ACTIONS: EFFECTIVENESS OF TECHNICAL ASSISTANCE  
FOR DEVELOPING COUNTRIES**

1. Special Report 6/2007 concerned the effectiveness of technical assistance in the context of capacity development.

“Technical assistance is a resource used in many development projects and programmes of different types and can be defined as "experts contracted for the transfer of know-how and skills and the creation and strengthening of institutions". In recent years, it has been increasingly used to support capacity development of central and local government services in beneficiary countries, in areas such as public finance management, health and education, among others. This change of focus towards the functioning of government services has been the result of a growing awareness among donors, including the European Union, that a lack of institutional capacity is a fundamental obstacle to sustainable development”.

(Source: Information Note ECA/07/32)

2. The Court examined how the Commission ensured that technical assistance contributed to institutional capacity development in beneficiary countries. It did this by assessing the Commission's approach towards capacity development and the use of technical assistance, and its management of the design and implementation of technical assistance activities within capacity development projects.

3. The Court recommended that the Commission should:

(1) In its Country Strategy Papers, make a comprehensive and structured analysis of existing institutional capacity weaknesses and of capacity development needs (insufficient evidence), and

(2) develop guidelines on technical assistance (fully implemented).

The Court stressed that:

(3) the design of capacity development projects should be improved (implemented in some respects),

(4) the procedures governing the project preparation and start-up phase should be reviewed (implemented in most respects),

(5) the evaluation criteria in technical assistance tenders should be reviewed (implemented in most respects),

(6) more options should be considered regarding procurement (fully implemented).

Finally, in line with the Paris Declaration commitments, the Court recommended that the Commission should:

(7) increase its use of technical assistance through coordinated programmes (implemented in most respects), which (8) should be assessed systematically (implemented in some respects).

4. The Commission implemented two recommendations fully (2 and 6) and three in most respects (4,5 and 7) and two in some respects (3 and 8). In one case (Recommendation 1, related to a need for a comprehensive and structured analysis), evidence was insufficient to conclude on its implementation. See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow up.

### **Capacity development**

6. Subsequent to the publication of SR 6/2007 the Commission made major efforts to reform its approach to Technical Cooperation (TC<sup>1</sup>) by adopting and implementing the “Backbone Strategy”. This strategy is part of wider EU action to implement the Paris Declaration on Aid Effectiveness and aims to improve the effectiveness of EU aid with respect to capacity development. The strategy has addressed and incorporated the majority of the Court’s recommendations.

7. At the strategy level, the Commission informed the Court that new programming guidelines for EU external actions for the period 2014–2020 are currently being prepared, which will highlight the issue of capacity development. The issue is also to be addressed in the future guidelines on Budget Support.

8. At the intervention level, the reform has introduced a number of guiding principles and detailed guidelines and tools relating to the provision of Technical Cooperation, including quality criteria which are also to be used for the monitoring and evaluation of activities.

9. Analysis by the Commission of available data regarding the first year and a half of implementation of these guidelines shows that two out of three operations which are assessed for TC relevance are considered to be in line with TC reform quality criteria. However, for some 20 % of projects the TC component is not assessed, and the TC quality assessment grid is only used for one out of every two TC relevant projects. This therefore leaves room for improvement regarding the actual level of implementation of the various tools, guidelines and the quality criteria and regarding the level of reporting thereon, in particular at the country level.

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<sup>1</sup> While Technical Cooperation (TC) refers to a variety of actions aimed at strengthening individual and organisational capacity, Technical Assistance (TA) refers to the personnel involved in the implementation and management of TC services.

**Systematic assessment of technical assistance**

10. Although the Commission considers that performance assessment of technical assistance experts and companies could be useful for informing tender evaluations, difficulties arising from the need to protect personal data have led the Commission to decide against establishing a systematic evaluation of the individual performance of consultants. Therefore, the Court concluded that a well-informed evaluation and selection of technical assistance remains difficult.

**EXTERNAL ACTIONS: NON-STATE ACTORS' INVOLVEMENT IN EC  
DEVELOPMENT COOPERATION**

1. Special Report 4/2009 concerned Non-State Actors' involvement in EC Development Cooperation.

“Non-state actors are increasingly important in development cooperation. The term non-state actors (NSAs) cover all aspects of society that do not form part of the private sector or the state. In the field of development cooperation, non-state actors include non-governmental organisations (NGOs) and also community-based organisations, farmers' associations, business or professional associations, environmental groups, universities, trade unions, chambers of commerce, and foundations as well as churches or faith groups. The term “non-state actors” is often used as a synonym of civil society organisations, and it is in that sense that it is used in the report”.

(Source: Information Note ECA/09/23)

2. The Court assessed whether the Commission adequately ensured that NSAs were effectively involved in the development cooperation process; whether it had efficient management systems to ensure that activities implemented by NSAs were relevant and likely to produce the intended results, and whether it adequately ensured the provision of capacity development to NSAs.

3. The Court recommended that the Commission should:

(1) strengthen and provide more guidance on its procedures for involving NSAs in the development cooperation process (fully implemented),

(2) continue measures already in train to improve the call for proposals procedure (implemented in most respects),

(3) enhance the targeting of monitoring and support by delegations (implemented in most respects),

(4) ensure sufficient guidance for both Delegation and NSA staff on performance indicators (implemented in most respects),

(5) improve sustainability (consider using a mix of instruments and not only projects) when working with NSAs (implemented in most respects),

(6) develop a strategy for capacity development of NSAs in Asian and Latin American (ALA) countries and reconsider the disparity in approach as between African, Caribbean and Pacific (ACP) and ALA countries (implemented in most respects), and

(7) examine additional ways of delivering the capacity-development policy aims such as use of partnership agreements, multi-donor funding, and cascading grants in order to better reach grass-roots organisations (implemented in most respects).

4. The Commission has fully implemented the first recommendation to make further efforts to strengthen the involvement of the relevant NSAs and implemented all other six recommendations in most respects. See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow-up.

### **Guidance on involving NSAs in cooperation process**

6. Since the publication of the Special Report, the Commission has taken various initiatives to strengthen the NSAs' involvement in EU external cooperation through contracts to implement EU development aid. A key initiative was the organisation, from March 2010 to May 2011, of the 'structured dialogue' bringing together the main stakeholders in European development policy.

7. At the same time as the dialogue, the Commission set up the Civil Society Helpdesk (CISOCH) as a central access point for civil society acting in



development aid. Through CISOCH, an e-learning tool is now accessible for NSAs and EU staff.

### **Improved call for proposals procedure**

8. Since 2009, the Commission has further developed the Potential Applicant Data On-line Registration (PADOR) database containing potential applicants to calls for proposals. Non-state actors and public administrations, including local authorities, now register themselves and update their own data. The 'structured dialogue' resulted notably in 12 suggestions to make the call for proposals system more effective or to introduce alternative selection methods where appropriate, with the primary objective of faster and better targeted aid. However, the new approach requires additional efforts in terms of training, communication, coordination, surveys of the NSAs and guidance.

### **Monitoring and support by EU delegations**

9. The Commission has extended the use by EU delegations of surveys focusing on civil society actors. At the time of this follow-up (December 2011), the Commission was developing guidelines and methodologies to provide support to the delegations through CISOCH. However, in partner countries, where the political situation allows, the EU delegations need to further develop their surveys of civil society actors. Further efforts are also required to include more small and grass-root organisations implementing projects in the scope of the monitoring system.

### **Guidance on performance indicators**

10. Using indicators introduced in the External Assistance Management Reports (EAMR) submitted by the EU delegations, the Commission began in 2011 to collect data on the number of NSAs' activities, reflecting their participation in the planning and implementation of EU aid. The Commission intends in this way to start a regular quantitative and qualitative follow-up of the NSAs' involvement in the partner countries.

11. In addition, following the introduction of the structured dialogue managed at Commission Headquarters, a similar process is now put in place at the delegations.

### **Capacity development of NSAs**

12. The Commission has recently taken action to improve financial and operational management of the EU assistance provided to NSAs. However, the Commission needs to further reflect on strategies to involve the NSAs in the general and sector budget instruments. Based on systematic analysis of External Assistance Management Report data, new strategies should be defined to improve the geographical programmes that must remain the key source of support to civil society in the partner countries.

13. However, the full involvement of NSAs in EU development policy remains a medium to long term objective, whose achievement largely depends on the local context. Even if some milestones have already been achieved, improvements and new steps are needed to consolidate the progress made.

14. Additional efforts and initiatives are now needed to implement effectively these strategies, in particular in Asian and Latin American countries .

### **Improvement of sustainability using a mix of instruments**

15. To operate a new 'mix' of instruments, the reform of the call for proposals system has still to be finalized. The Commission has also to further extend the review of closed projects through the Result Oriented Monitoring system.

### **Planning and strategy**

16. The Commission has taken appropriate initiatives to tailor its range of financial instruments to the diversity and complexity of the situations encountered in the recipient countries. The proposed amendments go in the right direction, but the Commission still needs to ensure their effective implementation.

**EXTERNAL ACTIONS: PRE-ACCESSION ASSISTANCE TO TURKEY**

1. Special Report 16/2009 concerned pre-accession assistance to Turkey.

“The European Court of Auditors has assessed how well the European Commission has managed pre-accession financial assistance to Turkey. Pre-accession assistance provides funding for the implementation of projects aimed at supporting Turkey in its efforts to meet the conditions required for accession to the European Union”.

(Source: Information Note ECA/10/02)

2. The Court examined whether the European Commission ensured that: EU assistance was directed to the projects that add most value in achieving the EU's Accession Partnership priorities; that the decentralised implementation system resulted in timely and successful achievement of project outputs and objectives, and that there was an effective system of performance monitoring and evaluation.

3. The Court made the following recommendations for corrective measures, that the Commission should:

(1) improve the programming (implemented in some respects),

(2) determine the strategic objectives for which the EU financial assistance would add most value (implemented in some respects),

(3) develop more realistic timescales for the objectives (implemented in most respects),

(4) improve project design and implementation (implemented in most respects),  
and

(5) ensure that the outcomes of individual projects are monitored, based on clear objectives and appropriate indicators, in order that their contribution to

achieving the strategic objectives can be demonstrated (implemented in most respects).

In addition, the Commission should:

(6) launch an evaluation of the entire programme of pre-accession assistance to Turkey (implemented in most respects).

4. The Commission has implemented four recommendations in most respects (3, 4, 5 and 6) and two recommendations (1 and 2) in some respects. See **Annex I** for implementation.

5. The following paragraphs focus on the main points from the Court's follow up.

### **Determining priority strategic objectives**

6. As the Accession Partnership does not provide sufficient clarity on the priorities to follow, the Multi-Annual Indicative Planning Document (MIPD) is now the main strategic document to guide IPA (Instrument for Pre-Accession Assistance) financial assistance. The 2011-2013 MIPD is an improvement on the 2007 version audited in that it focuses on a subset of priorities to be financed by limited IPA resources. However, the MIPD has further potential to better direct EU funding. The level of aggregation still limits how funding priorities are defined. The intervention logic still does not ensure that EU assistance is directed to the projects that add most value in achieving the priorities.

### **Improving project design and implementation**

7. The Commission continued with initiatives to improve project design and implementation by the Turkish institutions of the EU's decentralised implementation system. Measures included the Commission's continuous quality monitoring of the programming documents and project proposals at different stages of the process, as well as the Ministry of European Union Affairs' greater involvement in the quality control of project proposals. Needs

assessments were made compulsory and contract scheduling was improved. However, despite the positive trend in the quality of project forms, shortcomings remain in project design (i.e. the definition of project purpose; results, activities, indicators, and conditions).

### **Monitoring individual project outcomes**

8. Immediately after the audit, the Commission started implementing the Court's recommendations on project performance. Measures taken in 2008-2009 included the systematic following-up of implementation and spot checks with a specific checklist. In 2011 the Commission initiated its reform to enhance the monitoring system in Turkey. Nevertheless, the monitoring system has not been improved satisfactorily in that basic elements of the recommendations – such as a final report at the end of a project - have still not been implemented.

9. Remaining weaknesses include not using indicators set out in the project application form to demonstrate the achievement of the project objectives. Similarly, project outcomes (results and impacts) are still not systematically reported at the end of each project and at appropriate intervals thereafter in order to provide performance information to inform future planning.

10. There had been no system of ex post evaluation of individual projects nor of the effectiveness of the programme as a whole, in terms of meeting the Accession Partnership priorities, and of progressing Turkey towards EU accession. The Commission carried out an interim evaluation of the assistance to Turkey from 2005 to 2008 and an ex post evaluation assessing the impact and sustainability of the pre-IPA assistance from 2002-06 will be launched in 2013, once all related projects have been completed and closed in 2012.

**FOLLOW-UP OF COURT'S SPECIAL REPORTS 2005-2009****Preservation and management of natural resources**

NUMBER AND TITLE	FOLLOW-UP ACTION
Special Report No 3/2005 concerning the Rural Development: The Verification of Agri-Environment expenditure	Followed up in SR 7/2011
Special Report No 7/2006 concerning Rural Development Investments: Do they effectively address the problems of rural areas?	
Special Report No 8/2006 Growing success? The effectiveness of the European Union support for fruit and vegetable producers' operational programmes	
Special Report No 4/2007 on physical and substitution checks on export refund consignments	
Special Report No 7/2007 on the control, inspection and sanction systems relating to the rules on conservation of Community fisheries resources	Followed up in SR 12/2011
Special Report No 4/2008 concerning the implementation of milk quotas in the Member States which joined the European Union on 1 May 2004	
Special Report No 8/2008 Is cross compliance an effective policy?	
Special Report No 11/2008 The management of the European Union support for the public storage operations of cereals	
Special Report No 6/2009 European Union food aid for deprived persons: an assessment of the objectives, the means and the methods employed	
Special Report No 10/2009 Information provision and promotion measures for agricultural products	
Special Report No 11/2009 The sustainability and the Commission's management of the LIFE-Nature projects	Followed up in the present report
Special Report No 14/2009 Have the management instruments applied to the market in milk and milk products achieved their main objectives?	

## Structural Policies, Transport and Energy

NUMBER AND TITLE	FOLLOW-UP ACTION
Special Report No 1/2006 on the contribution of the European Social Fund in combating early school leaving	Followed up in AR 2010
Special Report No 10/2006 on ex post evaluations of Objectives 1 and 3 programmes 1994-1999 (Structural Funds)	Followed up in AR 2010
Special Report No 1/2007 concerning the implementation of the mid-term processes Structural Funds 2000-2006	
Special Report No 1/2008 concerning the procedures for the preliminary examination and evaluation of major investment projects for the 1994-1999 and 2000-2006 programming periods	
Special Report No 3/2008 The European Union Solidarity Fund: how rapid efficient and flexible is it?	
Special Report No 7/2008 Intelligent Energy 2003-2006	Followed up in the present report
Special Report No 12/2008 Instrument for Structural Policies for Pre-accession (ISPA), 2000-2006	
Special Report No 3/2009 The effectiveness of Structural Measures spending on waste water treatment for the 1994-1999 and 2000-2006 programme periods	
Special Report No 7/2009 The management of the Galileo programme's development and validation phase	Followed up in AR 2010
Special Report No 17/2009 concerning vocational training actions for women co-financed by the European Social Fund	

## External Actions

NUMBER AND TITLE	FOLLOW-UP ACTION
Special Report No 2/2005 concerning EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect	Followed up in SR 11/2010
Special Report No 4/2005 concerning the Commission's management of economic cooperation in Asia	
Special Report 3/2006 concerning the Humanitarian aid response to the Tsunami	Followed up in AR 2009
Special Report No 4/2006 concerning PHARE investment projects in Bulgaria and Romania	
Special Report No 5/2006 concerning MEDA Programme	Followed up in AR 2008
Special Report No 6/2006 concerning the environmental aspects of the Commission's development cooperation	Followed up in AR 2009
Special Report No 5/2007 on the Commission's Management of the CARDS programme	Followed up in SR 12/2009
Special Report No 6/2007 on the effectiveness of technical assistance in the context of capacity development	Followed up in the present report
Special Report No 6/2008 concerning European Commission Rehabilitation Aid following the Tsunami and Hurricane Mitch	
Special Report No 9/2008 The effectiveness of EU support in the area of freedom, security and justice for Belarus, Moldova and Ukraine	Followed up in AR 2010
Special Report No 10/2008 EC Development Assistance to Health Services in Sub-Saharan Africa	Followed up in AR 2010
Special Report No 4/2009 The Commission's management of Non-State Actors' involvement in EC Development Cooperation	Followed up in the present report
Special Report No 12/2009 The effectiveness of the Commission's projects in the area of Justice and Home Affairs for the western Balkans	
Special Report No 15/2009 EU assistance implemented through United Nations organisations: decision-making and monitoring	Followed up in SR 03/2011
Special Report No 16/2009 The European Commission's management of pre-accession assistance to Turkey	Followed up in the present report
Special Report No 18/2009 Effectiveness of EDF support for Regional Economic Integration in East Africa and West Africa	



## Revenue, research and internal policies, and bodies of the European Union

NUMBER AND TITLE	FOLLOW-UP ACTION
Special Report No 1/2005 concerning the management of the European Anti-Fraud Office (OLAF)	Followed up in SR 2/2011
Special Report No 5/2005 Interpretation expenditure incurred by the Parliament, the Commission and the Council	
Special Report No 9/2006 concerning translation expenditure incurred by the Commission, the Parliament and the Council	
Special Report No 11/2006 on the Community transit system	
Special Report No 2/2007 concerning the Institutions' expenditure on buildings	
Special Report No 3/2007 concerning the management of the European Refugee Fund (2000-2004)	
Special Report No 8/2007 concerning administrative cooperation in the field of value added tax	
Special Report No 9/2007 concerning "Evaluating the EU Research and Technological Development (RTD) framework programmes - could the Commission's approach be improved?"	
Special Report No 2/2008 concerning Binding Tariff Information (BTI)	Followed up in AR 2010
Special Report No 5/2008 The European Union's agencies: Getting results	
Special Report No 1/2009 Banking measures in the Mediterranean area in the context of the MEDA programme and the previous protocols	
Special Report No 5/2009 The Commission's Treasury Management	
Special Report No 8/2009 'Networks of excellence' and 'Integrated projects' in Community Research policy: did they achieve their objectives?	
Special Report No 9/2009 The efficiency and effectiveness of the personnel selection activities carried out by the European Personnel Selection Office	
Special Report No 13/2009 Delegating implementing tasks to executive agencies: a successful option?	

## **METHODOLOGY**

1. The main impact of the Court's work on improving financial management is through its published reports. The Court's work also contributes through the audit process itself. All audits result in detailed findings being sent to the auditee to confirm the accuracy of the Court's observations, followed by a 'contradictory procedure' on the final text of the audit report. When publishing the reports, the replies of the auditee – mainly the Commission – are published together with the reports. In many of these replies the auditee recognises the problems identified by the Court in its audit findings and proposes actions it intends to take to address them.
  
2. Special Reports in general, examine systems, programmes and organisations concerned with the implementation of the EU budget (or those of the European Development Funds), with regard to one or more of the three aspects of sound financial management: economy, efficiency and effectiveness.
  
3. Assessing and measuring the impact of the Court's performance audit reports is a necessary element in the cycle of accountability. The recommendations made in Special Reports should be followed up in order to establish and assess the measures taken. Indeed, the very existence of the follow-up process can encourage the effective implementation of report recommendations by auditees.
  
4. Following up on report recommendations serves four main purposes:
  - increasing the effectiveness of audit reports - the prime reason for following up audit reports is to increase the probability that recommendations will be implemented;
  
  - assisting the legislative and budgetary (including discharge) authorities - following up recommendations may be valuable in guiding their actions;

- evaluating the Court's performance - following up provides a basis for assessing and evaluating the Court's performance; and
- creating incentives for learning and development - following up activities may contribute to better knowledge and improved practice.

5. The reports to be followed-up were selected on the basis of two criteria: whether more than two to three years had elapsed since the publication of the reports; and whether the recommendations were still relevant.

6. The review was conducted in three stages:

- The Commission's management database (RAD) of follow-up actions was used as a preliminary source of data in respect of the audit reports being reviewed;
- A documentary review of annual reports, reports of the discharge authority, action plans, policy documents, specific reports and their analysis took place;
- Oral and written evidence was taken from the relevant services of the Commission.

## **REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS**

### **"2011 REPORT ON THE FOLLOW-UP OF THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORTS"**

#### **EXECUTIVE SUMMARY**

III. The main outcomes of the audits concern the systems and procedures in place at the services level. All ten IACs were of the opinion that the systems and procedures in place provide reasonable assurance regarding the achievement of the business objectives set up for the management of the implementation of the recommendations and observations issued by the ECA and the discharge authority. Nevertheless, in nine of the eleven audit reports, the IAC identified weaknesses, mainly linked to the availability of fully documented procedures regarding the follow-up of recommendations / requests.

#### **SUMMARY OF THE COURT'S FOLLOW-UP REVIEW**

14. As regards payments to areas with natural handicaps, Council Regulation (EC) No 1698/2005 stipulates that the payment has to be based on income loss and additional cost. This provision, however, did not enter into force as the additional Council act on less favoured areas foreseen by end of 2009 was not adopted. The same provision is proposed by Commission in the rural development legal proposal for the period 2014 - 2020.

18. In the energy field, the Commission and the Executive Agency for Competitiveness and Innovation (EACI) have made considerable efforts to improve the prioritisation of actions and to better match project costs with their expected outputs and impacts. For example, a common set of impact indicators was introduced in 2009 that has been used in all phases of the programme cycle, including a new award criterion on "ambition and credibility of the impacts of the proposed action" to ensure that the most cost-effective proposals are selected.

19. In 2011 the Commission has taken further measures to enhance the monitoring system in Turkey by initiating its reform. However, the Commission agrees that further actions are needed as concerns the reporting on project outcomes.

#### **CONCLUSION**

21. The main outcomes of the audits concern the systems and procedures in place at the services level. All ten IACs were of the opinion that the systems and procedures in place provide reasonable assurance regarding the achievement of the business objectives set up for the management of the implementation of the recommendations and observations issued by the ECA and the discharge authority. Nevertheless, in nine of the eleven audit reports, the IAC identified weaknesses, mainly linked to the availability of fully documented procedures regarding the follow-up of recommendations / requests.

## **REPLIES OF THE COMMISSION TO ANNEX II**

### **AGRICULTURE: LESS-FAVOURED AREAS**

7. As pointed out by the Court, in 2010 no new system was introduced for the determination of LFA. At the time of the adoption of the Council Regulation (EC) No 1698/2005, the Council decided to maintain the present delimitation and gave a mandate to the Commission to develop a new system (Council document 10352/05) with its prospective implementation in 2010. The Commission set up an independent expert panel which developed a new method of classification. The expert panel, however, concluded that the classification must be based on Member States' data. The Commission formulated the new methodology in its Communication COM(2009)161 final of 21/4/2009 and the Council agreed to test the proposed methodology. The results of that exercise have helped to formulate the legal proposal for 2014 - 2020.

11. DG AGRI always adds Natural Handicap payments in the scope of the audits for Axis II. The entire control system is checked as well as the reductions applied, and financial corrections are applied in case of deficiencies.

## **REPLIES OF THE COMMISSION TO ANNEX III**

### **AGRICULTURE: PRODUCTION AID FOR COTTON**

7.

Second bullet: The final results of the restructuring of the ginning industry, in particular in Spain, will be provided at the closure of the restructuring programme in 2018.

Third bullet: Since the 2003 Court's Audit, the Commission has implemented a number of CAP measures to improve the environmental impact of cotton:

1. For environmental reasons, a base area per MS has been established and the eligible area is restricted to those authorised by MS;
2. Cross Compliance makes a link between the payment of support, including direct coupled support for cotton, and the respect by the farmer of a list of rules in the area of environment, public, animal and plant health and animal welfare;
3. Cotton is also covered by agro-environmental payments for commitments going beyond the baseline under the RD programmes of Spain and Greece ;
4. Integrated cotton production in Greece is financed under the restructuring programme (quality measure) since 2009/2010<sup>20</sup>.

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<sup>20</sup> According to the report submitted by the Greek authorities on 15/02/2012, half of the Greek cotton area is grown under the integrated production system. This has resulted in important improvements not only on quality of cotton but also on the environment, thanks to the reduction of water consumption (between -10 to -50%), nitrogen applications (between -20 to -60%), pesticides (-17%) as well as positive results on ground and soil preservation.

**REPLIES OF THE COMMISSION TO ANNEX IV**

**AGRICULTURE: THE SUSTAINABILITY AND THE COMMISSION'S MANAGEMENT  
OF THE LIFE-NATURE PROJECTS**

6. Once the new legal base 2014-2020 will be approved, the Commission will propose to the next LIFE Committee to adopt separate dedicated criteria to evaluate projects sustainability.

## **REPLIES OF THE COMMISSION TO ANNEX V**

### **ENERGY: INTELLIGENT ENERGY 2003-2006**

4. The Commission considers that all four recommendations have been implemented.

7. The Commission considers that the link between expenditure, output and impact has been made as clear as possible. The prioritisation of financed actions has been significantly strengthened and is based on the impact assessments of EU energy policies, as well as on the results of implemented projects; the national needs identified by the programme committee members and the most recent market and policy developments. The external evaluation of the programme confirmed this finding that "the funding priorities were relevant to the needs, issues and problems related to energy in Europe". The same evaluation found that the type of actions supported by the programme are by nature amongst the most difficult to quantify in terms of impact, something that the energy community is largely aware of.

Therefore, the Commission considers that the recommendation has been fully implemented.

8. Impact has been measured when possible (e.g. for project development assistance activities) but not when impossible due to the nature of certain actions (e.g. those feeding energy policy debates).

Therefore, the Commission considers that the recommendation has been fully implemented.

Given the above, programme monitoring and evaluation has been developed to the extent possible and nearly to its cost-effective limit. Information on results and impacts has been reported in documents such as DG ENER's Annual Management Plans; the 2011 IEE II implementation report; and the IEE II performance report (2007-2011)<sup>21</sup>.

b) Longitudinal evaluations have been carried out when appropriate, taking into account cost implications.

Therefore, the Commission considers that the recommendation has been fully implemented.

9. This finding from the Court is corroborated by the IEE II final evaluation which found that "the efforts made by the EACI to simplify the management process is appreciated and considered as increasing the effectiveness of the projects". Furthermore the evaluation of the EACI performed between November 2010 and March 2011 concluded that "the EACI is performing well and is an efficient and effective delivery mechanism for the initiatives for which it has operational responsibility". It found that "management of the IEE programme has been improving under EACI management and feedback from key stakeholders and final beneficiaries is positive".

Therefore, the Commission considers that the recommendation has been fully implemented.

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<sup>21</sup> [http://ec.europa.eu/energy/intelligent/files/doc/reports/iee-ii-performance-report-2007-2011-final\\_en.pdf](http://ec.europa.eu/energy/intelligent/files/doc/reports/iee-ii-performance-report-2007-2011-final_en.pdf)



## **REPLIES OF THE COMMISSION TO ANNEX VI**

### **EXTERNAL ACTIONS: EFFECTIVENESS OF TECHNICAL ASSISTANCE FOR DEVELOPING COUNTRIES**

3.

(1) It is only possible to fully take this recommendation into account in the upcoming generation of programming documents. The new programming instructions for the DCI and 11th EDF for the period 2014-2020 (May 2012) contain a requirement to analyse country capacity in annexes 3 and 4. Similarly the programming instructions for ENI (July 2012) contain a requirement to analyse country capacity in annex 3.

The issue of Capacity Development will be addressed equally in the guidelines for Budget Support which are currently being finalized.

(2) The Commission agrees with the Court's observation.

(3) The Commission agrees with the Court's observation and stresses once again the major effort in designing and implementing a quality assurance system and a knowledge sharing website that have contributed to improve the effectiveness of its Capacity Development support.

(6) The Commission agrees with the Court's observation.

(7) The Court recognized that the Backbone Strategy is part of wider EC actions to implement the Paris Declaration on Aid Effectiveness. The 2011 Survey on Monitoring the Paris Declaration, stated that the European Institutions met the targets referring to co-ordinated programmes and the avoidance of parallel implementation structures.

The Commission considers that the recommendation 7 has indeed been implemented.

The Commission agrees with the Court's observation on recommendation 8.

9. The monitoring of the guidelines implementation is continuing on a yearly basis. More recent data can be made available for the Court's appreciation early 2013, if needed.

**REPLIES OF THE COMMISSION TO ANNEX VII**

**EXTERNAL ACTIONS: NON-STATE ACTORS' INVOLVEMENT IN EC  
DEVELOPMENT COOPERATION**

3.

(2) The Commission considers that this recommendation has indeed already been followed.

(3) The Commission considers that this recommendation has indeed been followed.

(4) The Commission considers that this recommendation has indeed been followed.

(5) The Commission considers that this recommendation has indeed been followed.

(6) The Commission considers that this recommendation has indeed been followed.

(7) The Commission believes that this recommendation has indeed been followed.

4. See reply to preceding point 3.

9. See replies provided in point 3, notably regarding the mapping exercise

12. See replies provided in point 3, notably regarding the limitations of the "geographical programmes", due to national sovereignty.

## **REPLIES OF THE COMMISSION TO ANNEX VIII**

### **EXTERNAL ACTIONS: PRE-ACCESSION ASSISTANCE TO TURKEY**

3.

(2) The Court's finding has been taken into account and the Commission introduced the necessary elements into the activity statements in order to demonstrate a link between 5 specific objectives under activity 22 02 (Enlargement process and strategy), selected sectors and available funding in activity statements for 2013.

(6) The Commission considers that the Court's recommendation on programme evaluation has been implemented from a conceptual point of view. Results will be delivered from 2013 onwards.

6. In this respect IPA II Regulation will introduce an even more coherent and strategic approach to pre-accession assistance through replacement of components by policy areas in order to increase consistency of action and make the four IPA DGs work more closely together in the definition of a single and joined strategy for each individual country. High-level planning documents, i.e. the Common Strategic Framework and the (country or multi-country) Strategy Papers (that will replace MIDP) will increase the emphasis on analysing the needs and identifying priorities for interventions.

7. The Commission's rigorous approach on quality of project fiches (of IPA 2010/2011) has allowed the core elements of the project fiches (project purpose, results and indicators etc.) to be more specific and measurable than in previous years. This positive trend is part of the lessons learned from previous financial assistance programmes through taking corrective actions on the shortcomings. The Commission will continue the quality monitoring of the programming documents at different stages in order to ensure the quality of the project's core elements.

9. The Commission agrees that further actions are needed as concerns the reporting on project outcomes but would like to stress that with a new template of progress and monitoring report's (PMR), which was introduced in February 2012, the beneficiaries will have to report on the achievement of project overall objective/purpose and results at the end of the project.

The Commission will undertake necessary measures to ensure the systematic reporting on the progress and outcome of the project is in line with the requirements set in the template.

10. The Commission agrees with Court's conclusion that there had been no ex-post evaluation launched yet, and would like to note that the evaluation that aims at assessing the impact and sustainability of projects covered under pre-IPA assistance from 2002-2006 could not be launched as a number of related projects under the pre-accession assistance to Turkey (TPA) will be closed only in 2012. The Commission already included in its evaluation plan an ex-post evaluation for which the tender will be launched by the end of this year and an evaluation will start 2013.