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COVER NOTE

from:	Mr Vítor CALDEIRA, President of the Court of Auditors
date of receipt:	13 December 2012
to:	Mrs Erato KKOZAKOU-MARCOULLIS, President of the Council of the European Union

Subject:	Special report No 22/2012: Do the European Integration Fund and European Refugee Fund contribute effectively to the integration of third-country nationals?
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Madam,

I enclose a copy of special report No 22/2012 entitled "Do the European Integration Fund and European Refugee Fund contribute effectively to the integration of third-country nationals?" together with the Commission's replies.

The special report was adopted by the Court at its meeting on 13 November 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

Encl.: Special report No 22/2012: Do the European Integration Fund and European Refugee Fund contribute effectively to the integration of third-country nationals?¹

¹ 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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Special Report No 22/2012

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

Do the **European Integration Fund and European Refugee Fund** contribute effectively to the integration of third-country nationals?

together with the Commission's replies

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GLOSSARY

Annual Programme (AP): A Member State's work programme implementing the multi-annual programme.

Asylum seeker/Asylum applicant: Person who is applying for refugee status or subsidiary protection.

Commitment: Legal budgetary obligation, such as a financing decision or contract.

European Integration Fund (EIF): The European Fund for the Integration of Third-Country nationals supports national and EU initiatives that facilitate the integration of non-EU immigrants into European societies.

European Refugee Fund (ERF): The European Refugee Fund supports EU States' efforts in receiving refugees and displaced persons and in guaranteeing access to consistent, fair and effective asylum procedures.

Eurostat: Eurostat is the statistical office of the European Union and a DG of the European Commission.

European Return Fund (RF): The European Return Fund seeks to encourage the development of cooperation between EU states and with countries of return.

European Social Fund (ESF): One of the EU's Structural Funds, set up to reduce differences in prosperity and living standards across EU Member States and regions.

External Borders Fund (EBF): The External Borders Fund establishes financial solidarity by supporting those countries with a heavy financial burden to implement the common standards for control of the EU's external borders.

Framework Research Programme: The EU's main instrument for funding research in Europe, the current 7th Framework research programme for Research and Technological Development (FP 7) runs from 2007-2013.

Management and Control System (MCS): Set of procedures and practical arrangements for a Member State to implement the SOLID Funds.

Refugee: A third-country national who, owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, political opinion or membership of a particular social group, is outside the country of nationality and is unable or unwilling to return to that country, or a stateless person, who, being outside of the country of former habitual residence for the same reasons as mentioned above, is unable or, owing to such fear, unwilling to return to it.

SMART objectives: Objectives are SMART when they are specific, measurable, achievable, relevant and timely.

SOLID programme: The "General programme on Solidarity and Management of Migration Flows for the period 2007-2013" consisting of four funds (EIF, ERF, EBF, RF).

Subsidiary protection: Applicants who do not qualify for refugee status, but who cannot return to their country of origin due to a real risk of suffering serious harm (torture or inhuman or degrading treatment, death penalty or execution, serious individual threat to the life or person as result of indiscriminate violence) have the right to subsidiary protection.

Third-country nationals (TCNs): Citizens from countries outside the European Union (non-EU citizens).

EXECUTIVE SUMMARY

I. The EU's SOLID programme supports actions to foster integration of third-country nationals in EU Member States and strengthen solidarity by sharing the financial burden resulting from the management of common external borders and the implementation of common policies on asylum and immigration.

II. The objective of the Court's audit was to assess whether the European Integration Fund and European Refugee Fund, forming part of the SOLID programme, contribute effectively to the integration of third-country nationals. These funds are implemented by the Commission and Member States through shared management.

III. The Court found that it was not possible for the Commission or Member States to assess the contribution of the SOLID funds to integration because audited Member States did not set proper targets or indicators for their annual programmes. The Commission's intermediate report on results achieved and on qualitative and quantitative aspects of the implementation, based on Member States' reports, did not provide enough information for the Funds to be evaluated or steered. At the level of individual projects, the sample audited by the Court showed positive results but these could not be linked to success at a higher level, not least because the implementation rate was low in the 2007 and 2008 national annual programmes. Later programmes have not yet been completed.

IV. The effectiveness of the Funds has been hampered by the design of the SOLID programme, which is fragmented, burdensome and inadequately coordinated with other EU funds. The splitting of funding for target groups which have similar needs has created problems for authorities and beneficiaries. This, together with the combination of multiple funds and annual programming, plus a long chain of controls by three authorities, has led to excessive administration out of proportion to the size of the funds involved.

Insufficient coherence and complementarity with other EU funds leads to overlaps, missed opportunities for synergy and a risk of double-funding.

V. Responsible Authorities are mostly fulfilling their key functions, despite the problems inherent in the design and staff shortages. However, the SOLID programme suffered from delays from the start, with late adoption of the legislation. This led to late submission of programmes, implementing rules and guidance not being available until well into the programmes' implementation, and misunderstandings about the relative roles of the three authorities.

VI. Delays continue to feature, both in Member States' submission of programmes and reports, and in the Commission reviewing and giving its approval. Furthermore, weaknesses in the set-up of Member States' Management and Control Systems were not identified early enough by the Commission and serious failures by Certifying and Audit Authorities persist in one Member State.

VII. The Court recommends that:

- (a) The legislator should simplify the programming arrangements with single national programmes to cover the whole period.
- (b) In establishing management and control systems, the Commission and Member States should give due consideration to proportionality with the amount of funds involved and the impact on resources, as well as drawing on previous experience in similar funds.
- (c) The Commission should carry out a comprehensive assessment of needs for integration regardless of whether migrants have EU or third-country nationality. Based on this assessment, an appropriate fund(s) structure should be designed which ends the separation of the target population on the basis of nationality and which is oriented towards the needs of the final beneficiaries. Setting an obligatory priority to fund third-country nationals would ensure that they receive the necessary specific attention.

- (d) The Commission should place greater importance on obtaining concrete details on the assurance of coherence and complementarity in EU funds from Member States.
- (e) The Commission and Member States should set-up an obligatory system of common indicators, and Member States should set target values for national programmes.
- (f) For the start of the new programme, the Commission should ensure that its key guidelines are ready in advance and that Member States have set up adequate Management and Control Systems.

INTRODUCTION

1. Integration of third-country nationals¹ is high on the political agenda of the Member States and, during the last decade, the EU has considerably increased its activities in this area. Though there is no formal definition of integration for the EU, the “Common basic principles for immigrant integration policy” interpret integration as “a dynamic, two-way process of mutual accommodation by all immigrants and residents of Member States” based on “the respect of the basic values of the European Union”². The common basic principles identify the following as key ingredients for integration: employment, knowledge of the host society’s language and culture, education, equal access to goods and services as well as political participation.

2. Integration policy has evolved as a part of immigration policy which, being at the very heart of state sovereignty, for a long time remained largely within the competence of individual Member States. With the coming into force of the Amsterdam Treaty in 1999, the European Union³ gained competence in immigration matters and committed itself to develop “an area of freedom, security and justice”. The Tampere European Council in 1999 concluded that the EU “must ensure fair treatment of third-country nationals who reside legally on the territory of its Member States”, calling for a “more vigorous integration policy” to grant rights and obligations to third-country nationals comparable with those of EU citizens.

3. While integration policy remains a national competence, the Member States recognise that the “failure of an individual Member State to develop and implement a successful integration policy can have in different ways adverse

¹ Citizens from countries outside the European Union (non-EU citizens).

² Common Basic Principles for Immigrant Integration Policy in the European Union adopted by the Council and the Representatives of the Governments of the Member States on 19 November 2004.

³ Then the “European Community”.

implications for other Member States and the European Union”⁴. In addition, successful integration is seen as crucial for economic and social cohesion in the EU as well as for realising the full positive potential of migration in building a competitive and sustainable economy⁵.

4. The EU’s contribution towards establishing a “coherent European framework on integration of third-country nationals”⁶ takes broadly three forms. Firstly, the EU develops the legislative/normative framework with the adoption of legally binding and non-binding instruments in the area⁷. Secondly, it facilitates the exchange of good practices between Member States through networks and handbooks⁸. Thirdly, the EU supports integration through financial instruments, specifically, the “General Programme on Solidarity and Management of Migration Flows for the period 2007-2013” (SOLID programme, see **Table**).

Table - SOLID programme funds, 2007–2013

Financial Instrument	Implementation	EU funds (million euro)
European Integration Fund (EIF)	2007-2013	830
European Refugee Fund (ERF)	2008-2013	623
External Borders Fund (EBF)	2007-2013	1 908
European Return Fund (RF)	2008-2013	681
TOTAL		4 043

Source: European Commission.

⁴ Council conclusions establishing the Common Basic Principles for Immigrant Integration Policy, recital 4.

⁵ Stockholm Programme 2009, Common Agenda 2011, Council Conclusions on the Common Agenda 2011, EU 2020 Strategy.

⁶ COM(2005) 389 final of 1 September 2005 - A Common Agenda for Integration - Framework for the Integration of Third-Country Nationals in the European Union.

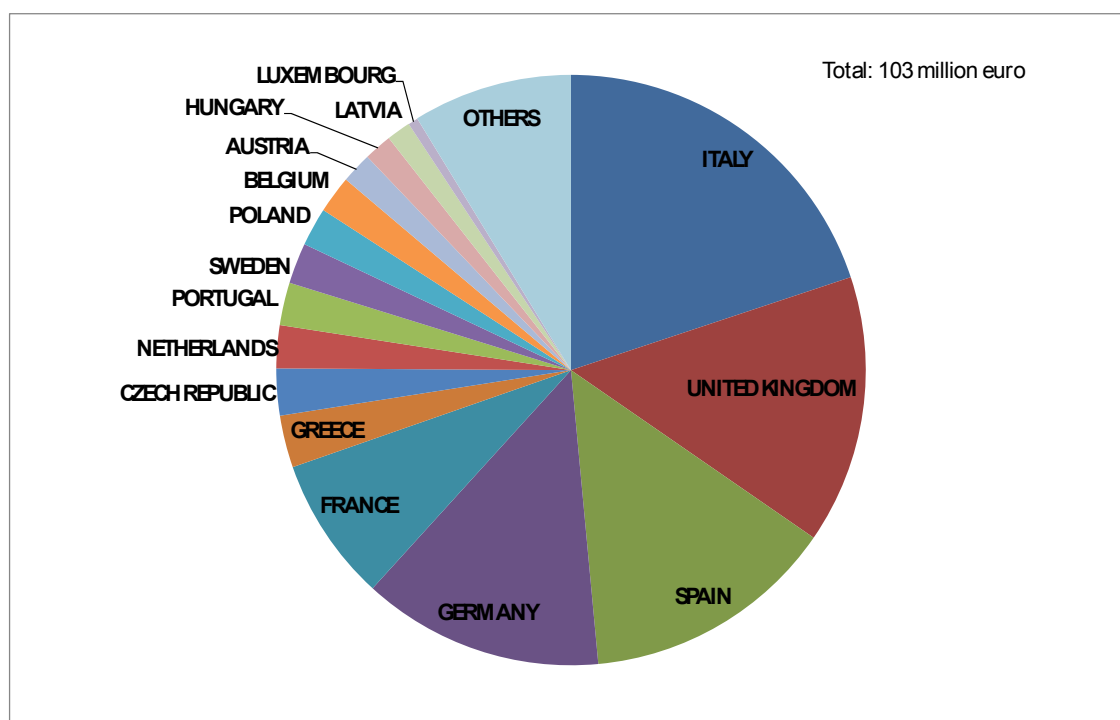
⁷ The Common Basic Principles taking the form of non-binding guidelines.

⁸ Examples are the National Contact Points on Integration, the European Integration Forum, the Handbooks on Integration.

5. The SOLID programme aims to improve management of migratory flows at the level of the European Union and to strengthen solidarity between Member States. It shares the financial burden resulting from the integrated management of common external borders and the implementation of common policies on asylum and immigration. The programme is composed of four Funds: the External Borders Fund, the European Return Fund, the European Refugee Fund and the European Fund for the Integration of third-country nationals.

Figure 1 shows the 2010 EIF commitments by Member State.

Figure 1 - 2010 EIF commitments by Member State



Source: EIF allocation calculation, 2010.

Who do the EIF and ERF support?

6. Two of the programme's four Funds concern integration. The European Integration Fund (EIF) supports Member States in facilitating the social, civic and cultural integration of third-country nationals into European societies (see

Box 1)⁹. According to its legal base, the Fund should focus primarily on the integration of newly-arrived third-country nationals.

Box 1 - Objectives of the European Integration Fund (Article 3 of EIF Decision)

The EIF can support:

- (a) development and implementation of admission procedures supportive of the integration process;
- (b) development and implementation of the integration process of newly-arrived third-country nationals;
- (c) increase of the Member States' capacity to develop, implement, monitor and evaluate policies and measures for the integration of third-country nationals;
- (d) exchange of information, best practices and cooperation in and between Member States.

7. The European Refugee Fund (ERF) targets asylum policy support and aims to reinforce the efforts made by the Member States in receiving refugees and displaced persons, including integration measures (see **Box 2**)¹⁰.

8. Both the EIF and ERF provide financing of 50 % of eligible project costs and up to 75 % in specific cases, the remainder being funded from national sources.

⁹ Council Decision 2007/435/EC of 25 June 2007 establishing the European Fund for the Integration of third-country nationals for the period 2007 to 2013 as part of the General programme Solidarity and Management of Migration Flows 2007/435/EC ("EIF Decision") (OJ L 168, 28.6.2007, p. 18). Commission Decision 2008/457/EC of 5 March 2008 laying down rules for the implementation of Council Decision 2007/435/EC (OJ L 167, 27.6.2008, p. 69).

¹⁰ Decision No 573/2007/EC of the European Parliament and of the Council of 23 May 2007 establishing the European Refugee Fund for the period 2008 to 2013 as part of the General programme Solidarity and Management of Migration Flows and repealing Council Decision 2004/904/EC ("ERF Decision") (OJ L 144, 6.6.2007, p. 1). Commission Decision 2008/22/EC of 19 December 2007 laying down rules for the implementation of Decision No 573/2007/EC (OJ L 7, 10.1.2008, p. 1).



EIF project addressing third-country nationals, implemented by Poradna pro integraci (Counselling Centre for Integration), Czech Republic

Box 2 - Eligible integration actions for the European Refugee Fund (Article 3 of ERF Decision)

The ERF can, amongst others, support actions relating to the integration of persons referred to in Article 6 (refugees, persons under subsidiary protection, asylum-seekers), whose stay in a particular Member State is of a lasting and stable nature.

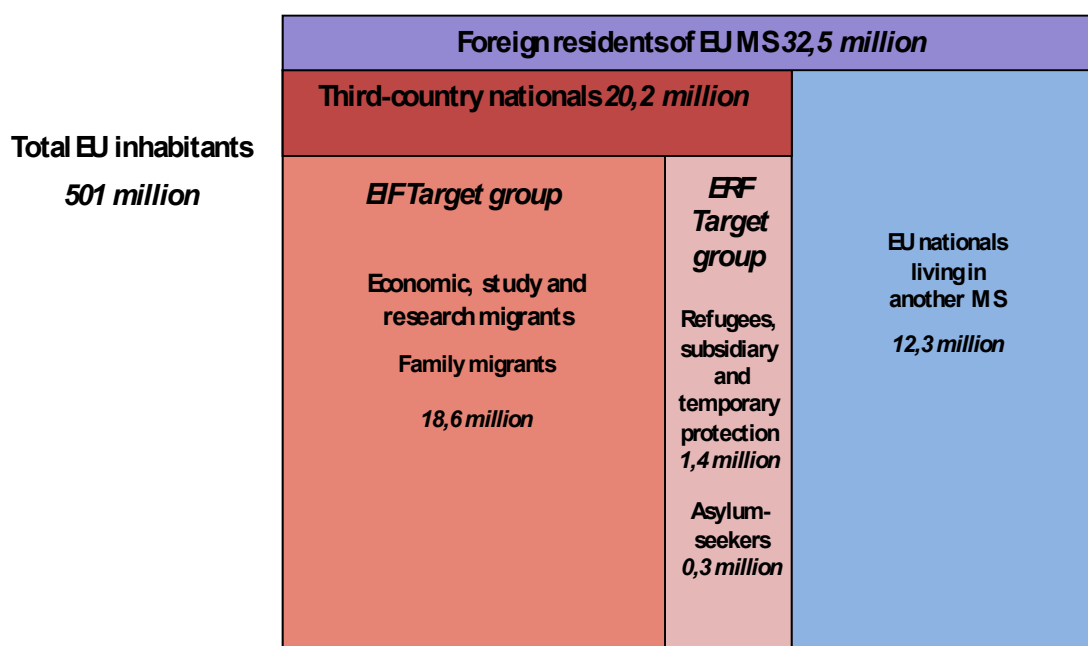
These may include:

- (a) advice and assistance in areas such as housing, means of subsistence, integration into the labour market, medical, psychological and social care;
- (b) actions enabling persons to adapt to the society of the Member State in socio-cultural terms, and to share the values enshrined in the Charter of Fundamental Rights of the European Union;
- (c) actions to promote durable and sustainable participation in civil and cultural life;

- (d) measures focusing on education, vocational training, or recognition of qualifications and diplomas;
- (e) actions designed to promote self-empowerment and self-sufficiency;
- (f) actions that promote meaningful contact and constructive dialogue with the receiving society;
- (g) measures to support the acquisition of skills, including language training;
- (h) actions that promote both equality of access and equality of outcomes in relation to dealings with public institutions.

9. The European Integration Fund targets the integration of third-country nationals, i.e. non-EU citizens. In 2010, 32,5 million non-nationals (i.e. persons who are not citizens of their country of residence) were living in the territory of the EU, representing 6,5 % of the total EU population. Of these (see **Figure 2**), 20,2 million were third-country nationals, potentially eligible for EIF or ERF, and 12,3 million were EU-nationals residing in a Member State other than that where they hold citizenship.¹¹ EU-nationals are not eligible for EIF or ERF but may potentially be targeted by other EU funds such as the ESF.

¹¹ Eurostat, Statistics in Focus 34/2011

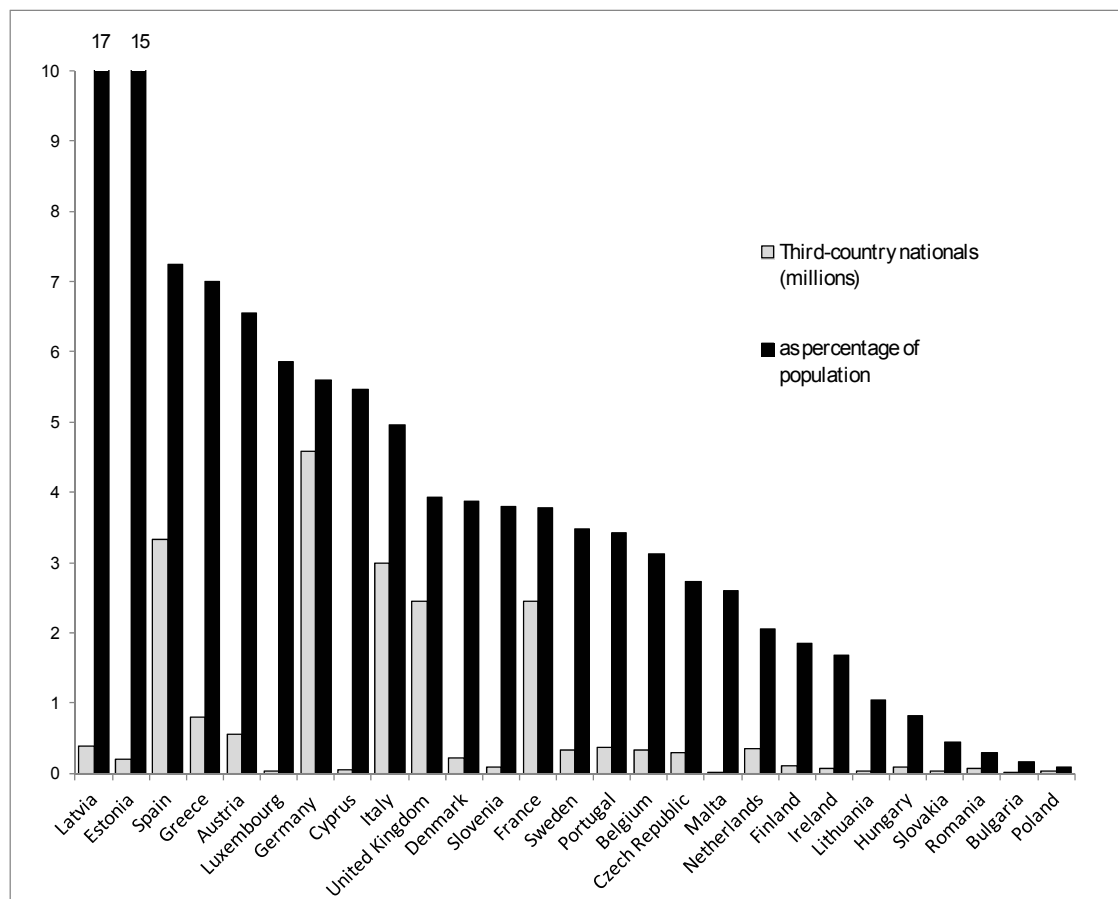
Figure 2 - Foreign residents of the European Union, 2010

Source: Eurostat, UNHCR.

Note: Data for Refugees and Asylum seekers from 2009.

10. The distribution of third-country nationals varies across the Member States, as shown in **Figure 3**.

Figure 3 - Third-country nationals, as percentage of national population and absolute numbers, 2010



Source: Eurostat and Home Affairs DG EIF allocation calculation.

11. Third-country nationals or stateless persons who have applied for asylum (asylum-seekers) or who have been granted refugee status or subsidiary protection status are excluded from the EIF but are within the target group of the European Refugee Fund¹². During 2010, 258 940 asylum applications were registered in the EU¹³.

¹² The target group of the ERF also concerns 'resettlements' (persons who have been transferred from a Third Country to an EU Member State).

¹³ Eurostat, Statistics in Focus 48/2011.

Roles and responsibilities

12. The management and control provisions are the same for the four SOLID funds and are implemented through shared management. According to this principle, the Member States are responsible for the implementation (operational and financial) of the funded actions while the Commission remains responsible for the overall budget execution. For the use of each Fund, the Commission adopts strategic guidelines setting out the EU programming framework. Each participating Member State prepares a multi-annual programme applying these strategic guidelines in the context of its own needs.

13. The multi-annual programme is implemented through annual programmes. Both of these are subject to the Commission's approval. Member States submit final reports after the completion of each annual programme.

14. The Commission is also responsible for ensuring that the Member States have set up adequate Management and Control Systems (MCS), that appropriate information, publicity and follow-up is provided for the funded projects and that actions are consistent with, and complementary to, other relevant Union policies and initiatives.

15. Member States' implementation is followed up by the Commission through desk-reviews of management and control systems descriptions, through receipt of progress and final reports and by audit and monitoring visits to Member States.

16. At the level of the Member States, the management and control system (see ***Figure 5***) comprises:

- (a) The Responsible Authority (RA), responsible for managing and implementing the multi-annual programme. In particular, it submits multi-

annual and annual programmes to the Commission, selects operations and verifies the eligibility of the expenditure claimed by the final beneficiaries.¹⁴

- (b) The Audit Authority (AA) performs audits to verify the functioning of the management and control systems.¹⁵
- (c) The Certifying Authority (CA) certifies that the expenditure declared complies with the applicable rules.¹⁶

AUDIT SCOPE AND APPROACH

17. The overall objective and main audit question was to assess whether, through the EIF and ERF, the SOLID programme contributes effectively to the integration of third-country nationals. The main audit question was broken down into the following sub-questions:

- (a) Are the SOLID funds' results backed up by effective monitoring and evaluation of the programme?
- (b) Did the design of the Funds contribute to effective implementation of the Funds?
- (c) Are the systems for implementing integration measures within the SOLID programme well-managed?

18. The audit focused on the management and control systems of the Commission and the Member States under the 2007-2013 Solidarity and Migration framework for both the EIF and the ERF. The assessment of results is primarily based on the annual programmes already completed at the start of the audit (Annual Programmes of 2007 and 2008). The audit did not perform a

¹⁴ For EIF, responsibilities laid out in Article 25 of Decision 2007/435/EC

¹⁵ For EIF, responsibilities laid out in Article 28 of Decision 2007/435/EC

¹⁶ For EIF, responsibilities laid out in Article 27 of Decision 2007/435/EC

direct assessment on the effectiveness of integration measures in Member States.

19. The audit was based on:

- (a) a review of documents on the preparation for, implementation and evaluation of the SOLID funds at the Commission and interviews with Commission officials from the Home Affairs DG and, for information purposes, the Employment, Social Affairs and Inclusion DG,
- (b) the audit of selected aspects of the management and control system of EIF and ERF in five Member States (Czech Republic, Germany, Luxembourg, Portugal, United Kingdom) including interviews with Responsible Authorities, Audit Authorities and Certifying Authorities. The selection of these Member States was based on the number and proportion of third-country nationals, the share of EIF commitments and the development of integration legislation as measured in the MIPEX¹⁷,
- (c) on-the-spot visits to 22 completed projects in the selected Member States of the 2007 (EIF), 2008 and 2009 (ERF and EIF) annual programmes based on a judgmental (non-statistical) sample (see the **Annex**),
- (d) a review of the Commission's legislative proposals on the Asylum and Migration Fund and the corresponding general provisions for the 2014-2020 period.

¹⁷ MIPEX (Migrant Integration Policy Index) measures the development of legislation to integrate migrants in EU Member States and selected non-EU countries.

OBSERVATIONS

Individual projects successful but the Funds' overall contribution to the integration of third-country nationals could not be measured

20. The Funds' overall contribution to the integration of third-country nationals cannot be measured beyond results at project level. This is due to the lack of a proper monitoring and evaluation system in the audited Member States and at the Commission. The lack of measurable indicators or quantified targets in the programming documents made it impossible to measure results. The weaknesses of the intermediate report on the results achieved and on qualitative and quantitative aspects of implementation of the Fund¹⁸ meant that it was of limited value to assess the Funds' effectiveness. The implementation rates of the programmes in 2007 and 2008 were low yet the projects audited clearly contributed towards the integration of third-country nationals.

21. The Court examined, for five Member States (see paragraph 19), the EIF and ERF multi-annual programmes, the annual programmes for 2007, 2008 and 2011 and final reports for completed annual programmes. Twenty-two finalised projects in these countries were visited and audited on-the-spot (see the **Annex**).

22. In order to evaluate the success of integration actions undertaken within the SOLID funds, the Court examined whether annual programmes included SMART objectives supported by measurable indicators. It sought to identify the extent to which individual projects and annual programmes contributed to the multi-annual programmes and whether reporting at project and programme level was made against the indicators and targets set.

¹⁸ Article 48.3(b) of the EIF Council Decision refers to the 'intermediate report on the results achieved and on qualitative and quantitative aspects of implementation of the Fund' to be produced by the Commission. This is hereafter referred to as the 'intermediate report'.

23. To support effective steering of the programme, Member States are obliged to submit evaluation reports, which the Commission uses to compile an intermediate report for the European Parliament and the Council on results achieved and qualitative and quantitative aspects in the implementation of the Funds.



EIF project implemented by Association de Soutien aux Travailleurs Immigrés (ASTI) (Association for Support to Immigrant Workers), Luxembourg

Source: European Commission.

Audited Member States did not set sufficiently quantified targets and indicators ...

24. Though Member States were required to complete a section in the Annual Programmes (APs) titled 'Quantifiable results', measurable targets were only specified for around half of the actions examined in the APs of the five Member

States. This was not detected or corrected by the Commission (see paragraphs 67 to 69). Furthermore, the majority of the targets set pertained only to the number of projects or participants instead of also measuring more specific aspects of projects, such as the success rate in obtaining qualifications.

25. The Court recognises that integration is a difficult concept to measure, and particularly when attempting to assess the impact of specific instruments. However, the Commission has demonstrated¹⁹ that it is possible to define indicators relating to the output and outcomes of funded actions. Examples of indicators used by the audited Member States are set out in **Box 3**.

26. In the Final Reports, the audited Member States often included quantifiable outputs but only in a few cases had targets been set against which success could be evaluated. Even where projects were satisfactorily evaluated in these final reports, this did not always give a full picture of the progress towards fulfilling annual and multi-annual programme objectives.

27. Due to these weaknesses in programming and reporting at national level, no clear assessment of results can be performed. Neither Member States nor the Commission are able to judge the effectiveness of the Funds in attaining their objectives. Results can only be established at project level, and even then, only where clear targets and indicators have been set.

Box 3 - Examples of indicators used in the audited programmes

Good example 1: Measurable output indicator with target value and reference to the current situation

Objective of the measure: Development and organisation of educational activities targeted to third-country nationals (Language courses, Civic courses...).

Output Indicator: Number and categories of third-country nationals participating.

Target: 300 third-country national participants (total 2007-2013).

Baseline Situation: no pre-existing courses.

Good example 2: Measurable outcome indicators related to the above measure

Outcome Indicator:

- Number of third-country nationals satisfied with the activities.
- Number of third-country nationals successfully completing the activities.

Poor example: Two output indicators which are not clearly defined, potentially overlapping and therefore not measurable

Objective of the measure: Creation of meeting places between immigrants and host society (intercultural exchanges, awareness-raising activities).

Output Indicator: Number and type of discussions/subjects discussed classified as 'subjects which are more superficial' *versus* 'subjects which are more personal'.

Output Indicator: number of participants and classification of participants: "parents and children", "youth and children".

... and the Commission's EIF intermediate report presented only limited information

28. According to the legislation, the intermediate report should be submitted by the Commission to the European Parliament and the Council by 31 December 2010²⁰. This was only done almost one year later, on 5 December 2011, due to (a) the late or incomplete submission by Member States of final reports on annual programmes and, (b) the unrealistic timetable set out in the legislation

29. The intermediate report contains no quantitative results of the programmes beyond the number of projects funded in each Member State and how many Member States have funded projects for each priority. The table in the report

¹⁹ Document presented to SOLID committee, SOLID/2007/27.

²⁰ Article 48 of Decision 2007/435/EC.

which, according to the title, purports to show which types of operations were actually funded has several weaknesses: (a) it is only based on plans rather than actual implementation, (b) it does not include any indication of amounts spent and (c) it contains specific inaccuracies (for example, a project preparing individuals for migration to Germany was observed during the Court's audit but no actions of this type were recorded in the table).

30. The absence of adequate quantified results in the intermediate report is at least partially due to the absence of obligatory common indicators which would make results comparable between Member States. In preparation for the upcoming ex-post evaluation, the Commission is now addressing the lack of comparable data by requesting Member States to provide information on basic common indicators. However, since these indicators were not established in advance and collected during implementation, the validity and usefulness of the evaluation is limited and the compilation process becomes inefficient. In its proposal for the period 2014-2020, the Commission has proposed the development of an obligatory set of common indicators from the start of the programme.

31. In the intermediate report, examples of projects are given to illustrate the types of activities undertaken, but there is no indication of their representativity in terms of frequency or value.

32. Despite the fact that Member States supposedly set their own programmes according to identified needs and objectives, two Member States (the Netherlands and Poland) stated²¹ that their programmes were not relevant for them. Poland explained that the programmes were too narrow and the Netherlands reported that "the Fund's allocation represented a relatively small proportion of the national budget for integration and was not seen as adding

²¹ Section 7.5 of the intermediate report.

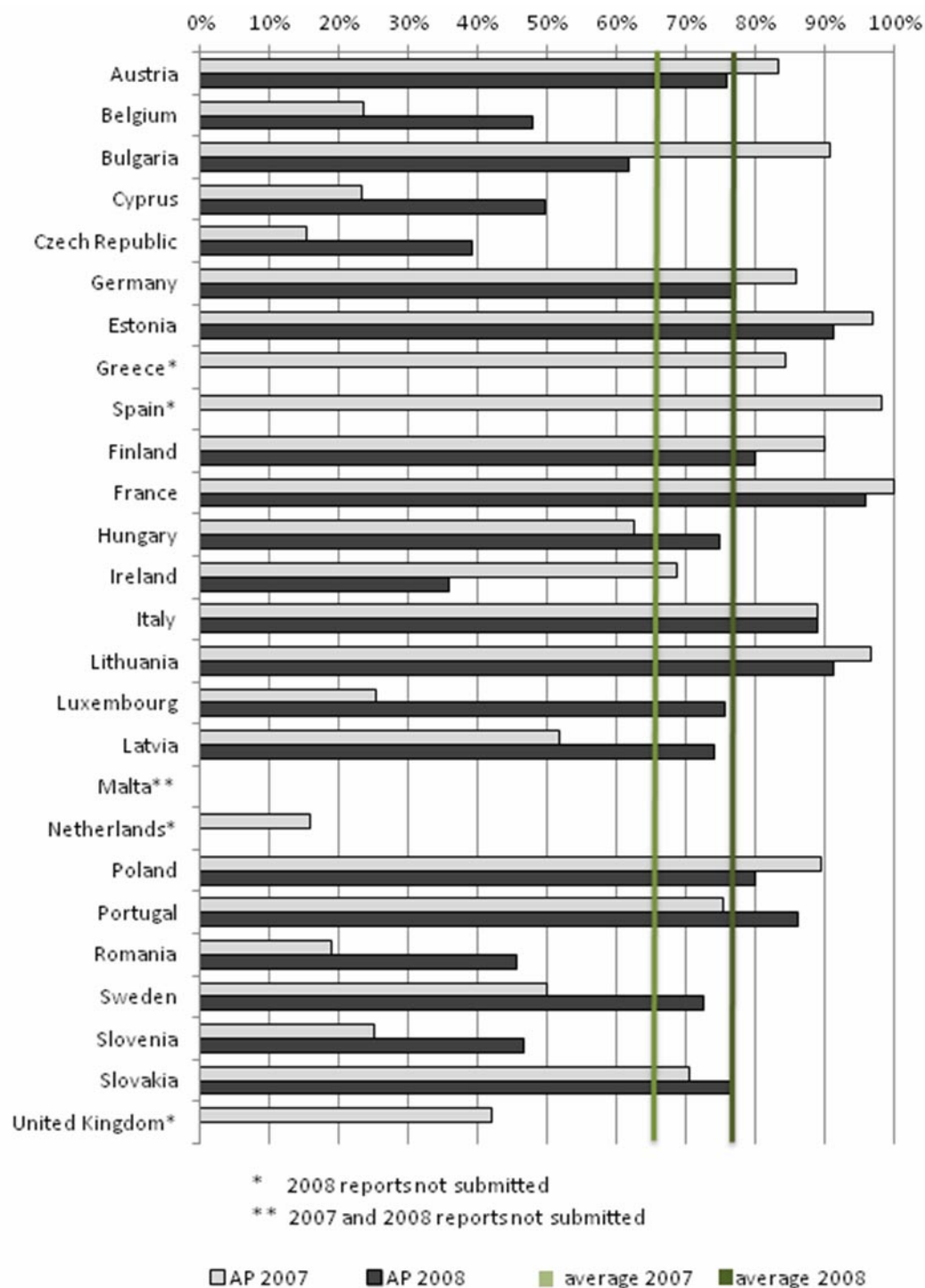
real value to national strategies." This statement has not been challenged or critically evaluated in the report by the Commission.

33. These weaknesses in the intermediate report mean that it provides only a very limited contribution to the assessment of results or to the steering of the Funds.

The low-rate of implementation during the first two years reduces the potential effectiveness of the Funds ...

34. **Figure 4** shows that the rate of EIF budget implementation²² in Member States for the years 2007 and 2008 (the only years for which programmes had been completed at the time of the audit) was generally low although from 2007 to 2008, the total implementation rate for all Member States increased from 66 % to 77 % in the second year. The data shows great variation among Member States ranging (for 2007) from 15 % (Czech Republic) to 100 % (France). Most of the Member States with very low implementation rates in 2007 improved in 2008, but only one of them climbed above the 50 % mark. Despite the overall improvements, seven countries showed a decrease in implementation from 2007 to 2008. By June 2012, the Commission had still not received the Member States' cost claims for six APs (one for the 2007 APs: Malta, and five for the 2008 APs Greece, Spain, Malta, Netherlands and United Kingdom). These were due for 30 September 2010 (2007 APs) and 31 March 2011 (2008 APs).

²² Rates calculated based on the amount claimed by Member States.

Figure 4 - EIF budget implementation

Source: European Commission and Court calculations.

35. Contributing factors for this low take-up rate are presented in later observations (paragraphs 42 to 75). Under-implementation of the budgeted plans of annual programmes risks that the planned outputs and impacts are not achieved.

... but the audited projects achieved positive results and Funds were considered by Member States to be valuable for integration

36. Due to the lack of quantified targets and indicators and the weaknesses in the intermediate report, the Court was only able to seek evidence of the effectiveness of the ERF and EIF by visiting projects.

37. Of the 22 projects which were audited on-the-spot, 18 were judged by the Court to have achieved results which contributed positively to the integration of third-country nationals in so far as they formed part of the Member States' strategies (see **Box 4**).

Box 4 - Examples of project achieving positive results

The **Luxembourg EIF** supported the project "*Partenariats pour l'intégration interculturelle: mise en place de services d'information et d'orientation*" ("Partnerships for intercultural integration: Setting up of Information and orientation services"). The project was carried out by the *Association de Soutien aux Travailleurs Immigrés* (Association for Support to Immigrant Workers) (*ASTI*) and aimed to improve the integration of third-country nationals by giving equal access to information concerning the rights and obligations of citizens. Activities included the establishment of a partnership with different associations, the development of a website (www.bienvenue.lu) and an interpretation service. The co-financing by the EIF was 50 % or 112 000 euro from the 2009 Annual Programme.

In **Germany**, the **ERF** supported the project "*...und drin bist Du? Flüchtlinge als Teil der Gesellschaft - auf dem Weg in ein selbstbestimmtes Leben*" ("...Are you in? Refugees as part of society - on the way to a self-determined life"). The three year project, carried out by the *Caritasverband für das Erzbistum Berlin e.V.* (Caritas, Archdiocese of Berlin), was supported in its first year by 42 509 euro from the ERF Annual Programme 2009 (50 % co-financing rate). It aimed to improve reception conditions for asylum seekers/refugees and strengthen services and structures in Eastern Brandenburg. A total of 683 people participated in the project's activities such as German courses or intercultural staff training.

38. Of the four audited projects which did not achieve their objectives, two of the projects were completed after downward revision of the goals to be achieved, while one potentially useful and innovative project failed, in part, due to the unrealistic targets and methodology approved by the Responsible Authority in the application (see **Box 5**).

Box 5 - Example of a failed project

In the **UK**, the **ERF** supported a project which did not succeed. The Merseyside Fire and Rescue Service (MFRS) made an innovative application to address the high fire-risks identified in the refugee population, by way of home checks (800 dwellings), work placements in the fire service, website development, leaflets in over 30 languages and the education of landlords. The project's first year was to be supported by an ERF grant of 21 325 euro. Several control stages failed at the Responsible Authority. The target of 800 home checks turned out to be unrealistic as the underlying refugee population was much smaller than had been assumed and the addresses of the target population could not be obtained by the MFRS. The Responsible Authority started to address the unrealistic assumptions and targets of the project only after the funding was granted and planned monitoring visits to the project did not take place in time. Furthermore, the Responsible Authority demanded, in contrast to Commission guidance on the matter, that the MFRS collect proof of the refugees' status. This reduced the willingness of the target population to accept MFRS checks even further. As a result, only 60 home checks were funded and the project was abandoned after its first year.

39. However, there is no direct link between the fulfilment of individual projects and the attainment of overall success, due to the inadequate target-setting at programme level, lack of associated quantified results and budget under-implementation.

40. According to the Commission's intermediate report, most Member States perceive the EIF as providing 'value-added' despite the difficulties in implementation. Where Member States had a less developed integration policy framework, the Fund enabled the design of a comprehensive integration framework. For some Member States it filled the gap in national resources or provided the opportunity to expand support to specific target groups. In addition, the intermediate report found increased cooperation between authorities within and between Member States.

41. The above evaluation results are, at least in part, supported by evidence collected during the Court's audit. The audited Member States reported that the Funds enabled them to undertake additional or new integration activities.

The effectiveness of the Funds' contribution to integration is likely to be limited because ...

42. The previous section shows that the effectiveness of the Funds to date cannot be measured. The next two sections will explain that the potential of the Funds to be effective is limited by weaknesses in design and implementation. As a result, the Funds are unlikely to be fully effective in their contribution to the integration of third-country nationals.

43. The Court assessed whether the legal and administrative set-up of the SOLID funds enabled effective management with a reasonable level of administration and control. It examined whether the integration needs of Member States had been identified via a satisfactory consultation process and Impact Assessment. The audit verified whether there was a coherent and coordinated approach with other Union instruments.



EIF Project implemented by Türkische Gemeinde in Deutschland e.V. (TGD) (Turkish Community in Germany)

... the split of integration measures between ERF and EIF causes practical difficulties

44. In four of the five Member States visited, the Responsible Authority (see **Box 6**) and the final beneficiaries experienced practical difficulties in separating ERF and EIF target groups, particularly with regard to "integration measures", because:

- certain activities would normally be jointly geared towards the ERF and the EIF target groups since they have similar needs e.g. language courses or intercultural activities,
- there is an administrative burden associated with the allocation of costs to different Funds (ERF and EIF) for the same activity (for example, a

language course). This deters Member States' authorities and final beneficiaries from designing activities which meet their needs efficiently.

Box 6 - EIF versus ERF

For the **UK Responsible Authority** (UK), "the requirement to separate different categories of migrants acts in direct contradiction to the notions of integration, appreciation of diversity and community cohesion", it "creates confusion and is overly complex in terms of project administration and management, because costs have to be separated and allocated. A 'mixed group' including EU citizens should be possible" as this "would encourage more participative and innovative project proposals, which are likely to be more effective in terms of integration outcomes".

The **Czech Responsible Authority** considered the split between ERF and EIF to be artificial in certain cases, in particular with regard to the regional integration centres funded under EIF. These centres could provide help and training to both third-country nationals and asylum seekers/refugees. According to the Responsible Authority, they have to duplicate their activities which is especially inefficient when the target groups are small.

Annual programming leads to excessive administration ...

45. The four SOLID funds have a system of annual programming and reporting by the Member States. Consequently, every year, the Commission receives around 100 annual programmes for the four SOLID funds to review and approve. In addition, a final report for each completed annual programme must also be submitted by the Member States and validated by the Commission. Little or no added value is produced by this exercise. The process places excessive administrative burden on both the Member States authorities and the Commission. The impact of such a system was not adequately considered when the SOLID programme was set up.

46. Member States and the Commission are now advocating the use of only multi-annual programmes. In addition, the Commission pointed out that some

Member States made inferences from the annual programming cycle which had not been intended, such as the idea that projects could only last for one annual programme.

47. In line with the findings of this audit and with the outcome of a public consultation, the Commission proposes to change the system for the period 2014-2020 into a single national programme per fund to cover the whole financial period. This would mean having fewer than 60 programmes to cover both the Asylum and Migration Fund (AMF) and Internal Security Fund (ISF) over the entire period.

... and there are burdensome financing arrangements

48. When Member States have spent 60 % of the initial pre-financing payment, they are entitled to apply for a second payment. However, the legislation was not clearly drafted which led to confusion amongst Member States. The procedures for applying and obtaining this second payment are burdensome and dissuade Responsible Authorities from applying. This, in turn, has delayed payments made by the Responsible Authority and led to cash-flow problems for final beneficiaries.

The design introduced a long chain of controls and some Member States have added to this administrative burden ...

49. Checks performed by the three authorities (Responsible Authority, Certifying Authority, Audit Authority) duplicated rather than complemented each other. While checks and balances are needed in every funding system, the SOLID configuration is based on the Structural Funds model²³ and causes a disproportionate burden given the relatively low sums involved (see paragraph 54). The current system is a drain on Commission and national resources.

²³ Court of Auditors Opinion No 7/2011 (OJ C 47, 17.2.2012, p. 1).

50. Although Member States' authorities audited by the Court complained that the administrative structure inflicted an unnecessary burden on the Funds' management, two of the five Member States audited made matters worse by carrying out disproportionately high levels of checks on beneficiaries. In the UK, the Responsible Authority has established a rigorous monitoring system featuring elements which promote good project implementation (see **Box 8**), but at the same time makes additional control demands including monthly reporting, 100 % verifications by the Responsible Authority, ex-post audits by the Audit Authority and excessive requirements on project beneficiaries to prove eligibility of participants (see **Box 5**). In Germany, partly due to the lack of a suitable data management system, the Certifying Authority had to compile information on every project by assessing all final reports before it was able to make a selection for further checks.

51. Weaknesses such as the lack of indicators, programme annuality and the hierarchy between Member State authorities (see paragraph 70) could have been avoided had the experiences from Structural Fund management been better taken into account in the design of the EIF and ERF. Neither the audited Member States nor the Commission capitalised on their previous experiences in the Structural Funds.

... and the insufficient coherence and complementarity with other EU funds led to overlaps and loss of synergies

52. The Commission performed only a limited ex-ante assessment²⁴ and stakeholder consultation on integration needs in the EU for the preparation of its legislative proposal. No overall strategy on how to address the EU's

²⁴ An ex-ante assessment involves an evaluation of the conditions for the launch of a programme or institution.

integration needs was developed. As a result, opportunities were missed to strengthen the quality of the proposal²⁵.

53. Outside the SOLID programme, there are other Union instruments which support similar actions that may contribute to the integration of third-country nationals. These include:

- (a) European Social Fund (ESF) – aims to prevent and combat unemployment and develop human resources and social integration into the labour market. It funds programmes for the integration of migrants regardless of their citizenship, in particular “to increase the participation of migrants in employment and thereby strengthen their social integration”.
- (b) Education and Culture DG’s programmes – activities under the 2007-2013 Culture Programme and the 2007-2013 Citizenship Programme may include projects related to inter-cultural dialog, active citizenship etc. The 2007-2013 Lifelong Learning Programme includes the priority to “promote social inclusion and gender equality in education and training, including the integration of migrants and Roma”.
- (c) Research Framework Programmes – have been used to fund research in relation to migrant issues by developing new knowledge, tools, indicators and databases to support European migration policy, in particular for the labour market, social welfare, social cohesion and the fight against various forms of discrimination

54. In its preparatory work, the Commission did not take the Education and Culture DG or Research Framework programmes into account. Although the Commission’s ex ante assessment identified the ESF as comprising relevant actions, the full extent of the overlap with EIF remained unknown. There are no specific data available to judge the extent to which the ESF supports the

²⁵ The EIF proposal only focused on legally residing third-country nationals as it was founded on the legal basis for immigration policy.

integration of third-country nationals. The Commission estimates that during 2007-2013, 1,17 billion euro from the ESF is budgeted for “Increasing migrants’ participation in employment”²⁶. The ESF also finances social inclusion measures which can support the integration of migrants so at least part of the 9,98 billion euro budgeted for this is relevant for integration of third-country nationals²⁷. The Commission did not identify this in its ex-ante assessment for the SOLID programmes or for the period 2014-2020. The ESF’s financing of integration-related issues is therefore far larger than the EIF (830 million euro for 2007-2013) and the ERF (623 million euro for 2008-2013) combined.

55. The Commission intended the EIF to be complementary to the ESF, supporting actions that could not be funded by the latter²⁸. Third-country nationals do not have the same legal rights as EU citizens and this was given as justification for separate treatment under different funds. However, the audit showed that most, if not all, EIF measures could be funded under ESF. For the Member States authorities and final beneficiaries, the separation between ESF and EIF causes an additional bureaucratic burden, in particular, because these funds have different administrative structures (see **Figure 5**) and requirements.

56. The EIF’s design problems are increased by the limited functioning of the systems set up to ensure coherence and complementarity. During the adoption process of the ESF and EIF programmes, the Commission did not place enough emphasis on the complementarity of the two funds. Whilst the coordination between the Employment, Social Affairs and Inclusion DG and the Home Affairs DG has improved in recent years, in three out of the five Member States audited, the obligatory coordination mechanism²⁹ between EIF and ESF

²⁶ European Commission, DG Home Affairs (2011), *Impact assessment study on the Multi-annual Financial Framework (MFF) in the area of Home Affairs*, study undertaken by GHK.

²⁷ The European Social Fund: migrants and minorities, 2010 (<http://ec.europa.eu/esf>).

²⁸ COM(2005) 123 final of 6 April 2005 - Proposal for a Council Decision establishing the European Fund for the Integration of Third-country nationals for the period 2007-2013 as part of the General programme ‘Solidarity and Management of Migration Flows’.

²⁹ Recital 12 of Decision 2007/435/EC.

was not in place, was inadequate, or had only recently been established despite their assertions that they had done so at the outset. The Commission failed to identify this problem in its assessment of the EIF Management and Control System.

57. As a result of the absence of coherence in design and implementation, there are significant overlaps between EIF and ESF, with the ESF supporting the integration of third-country nationals with significantly larger amounts. These overlaps cause additional costs (e.g. staff costs) and potential synergies are lost (See **Box 7**).

58. Whilst the new proposal for 2014-2020 opens up the target group for local and regional integration measures to EU citizens with a migrant background (persons having at least one parent who is a third-country national) it does not deal with the underlying problem of overlap with the ESF.

59. Without a dedicated component in the ESF or a separate integration fund founded on both the ESF and the EIF legal bases, integration needs cannot be comprehensively addressed.

Box 7 - Portuguese call centres and ACIDI comparison of EIF and ESF funding

In **Portugal**, only two organisations can apply for EIF funding: "Alto Comissariado para a Imigração e Diálogo Intercultural" (ACIDI) and the "Serviço de Estrangeiros e Fronteiras" (SEF). ACIDI, a public body integrated into the Interior Ministry, is the most important of the two and is the organisation responsible for integration of immigrants and minorities in Portugal. During the Court's on-the-spot visit, the representatives stated that ESF and EIF integration funding overlaps. For 2008-2011 they received around 18,2 million euro from the ESF and 7,4 million euro from the EIF.³⁰ The activities listed in the ESF Operational Programme could also be financed from the EIF programme. One example found by the Court was the financing of two similar multilingual call centres. ACIDI's National Immigrant Support Centre (CNAI) hosts a call centre set up for third-country nationals (financed by the ESF). When SEF applied for a call centre to cope with specific third-country national information, the ACIDI project was not considered and demand for its own call centre fell after the opening of that of SEF.

Due to the fact that migrant organisations can apply both to the ESF and for sub-projects of ACIDI, there is an increased risk of a lack of coherent approach and double-funding.

Responsible Authorities highly committed but delays at all levels and weaknesses in the Management and Control System may further reduce the programmes' effectiveness

60. The programme is implemented via the shared management mode and, as such, there are responsibilities placed on both the Commission and Member States with regards to the principles of sound financial management.

61. The Court examined aspects of the systems in the Commission and Member States which are directly relevant to the effectiveness of the Funds.

³⁰ Source: ESF Project lists published on the website of the respective ESF Programme, EIF Project information from Responsible Authority.

Delays in the adoption of the legislation and in the Commission and Member States' crucial tasks ...

62. The Council and European Parliament Decision establishing the ERF for 2008-2013 and the Council Decision for the EIF for the period 2007-2013 were not adopted until 23 May 2007 and 25 June 2007 respectively. The Commission Decisions laying down the implementing rules were only adopted on 19 December 2007 and 5 March 2008. In principle, Annual Programmes should be submitted by the Member States by 1 November of year n-1, prior to the programme start. Due to the late adoption of the legislation, derogations were given for later submission of the 2007 and 2008 APs³¹. The Commission is required to inform the Member States whether the AP can be approved within one month of submission and adopt Financing Decisions by 1 March of the year in question.

63. The auditors examined the AP submission process for five Member States concerning 2007³², 2008 and 2011. Of the 25 EIF and ERF APs examined, only three were submitted by Member States in a timely fashion. Delays on the part of the Member States were blamed on the heavy workload placed on the Responsible Authorities of the Member States, political changes leading to internal reorganisation and, according to the Commission, drafting of over-elaborate programmes.

64. Furthermore, the Commission did not inform the Member States within one month whether the APs could be approved in any of the examined cases, nor did it adopt the financing decisions within the time set aside in the legislation. The delays were most serious for the 2007 and 2008 APs, with financing decisions for the 2007 EIF programme taking seven months longer to adopt

³¹ Article 51 of Decision 2007/435/EC.

³² ERF III began in 2008.

than envisaged in the legislation. For the 2011 APs, the average delay was two months for EIF and one month for ERF.

... leading to the Commission issuing guidance late to Member States

65. A wide range of guidance has been issued by the Commission, covering such topics as eligibility of expenditure and various aspects of the Member States' Management and Control Systems (MCS). In most areas, this guidance has been comprehensive and useful for the Member States. In addition, the audited Member States reported that responses to queries have been effectively dealt with by the Commission.

66. However, some important guidance has, partly due to the late adoption of the legislation, been issued late, including the implementing rules (see paragraph 62) and the more detailed 'eligibility manual' which was issued for the first time in July 2008. Combined with the wait for adoption of financing decisions, this meant that those Member States who were able to allocate national funding to start projects on time could not inform final beneficiaries on the agreed eligibility rules. Other Member States were forced to delay the start of their programmes. Both situations contributed to low implementation rates for the Funds in the early years of the programme (see paragraph 35).

Weaknesses in Member States' Monitoring Systems not detected by the Commission

67. Prior to the start of the programme, Member States were required to submit descriptions of their Management and Control Systems to the Commission for approval. The Commission later followed this up with visits to check systems on-the-spot in the Member States. The Court examined the Commission's assessment of the MCS with regard to the systems for monitoring projects and programmes and made comparisons with the systems it audited in the Member States.

68. The Commission used a scored checklist for the assessment of the MCS. For all of the five Member States audited by the Court, the Commission approved the MCS and, in particular, maximum scores were given for the four criteria pertaining to the monitoring of projects and programmes.

69. The Commission's checklist did not include questions to verify if systems were in place for collecting and aggregating the key operational and financial indicators. The Court found that in three of the five audited Member States, monitoring systems were inadequate, mainly due to the lack of appropriate data collection systems for indicators and targets or insufficient project monitoring visits. This situation persisted in the latter half of 2011 despite the fact that they had been visited by the Commission. The Commission's failure to detect this weakness was partly due to crucial elements not being included in the checklist. It was compounded by the Commission's acceptance of descriptions which simply amounted to Member States' intentions transposed from the legislation. In the absence of properly functioning monitoring systems, implementation of the 2007-2013 programme cannot be evaluated and steered.

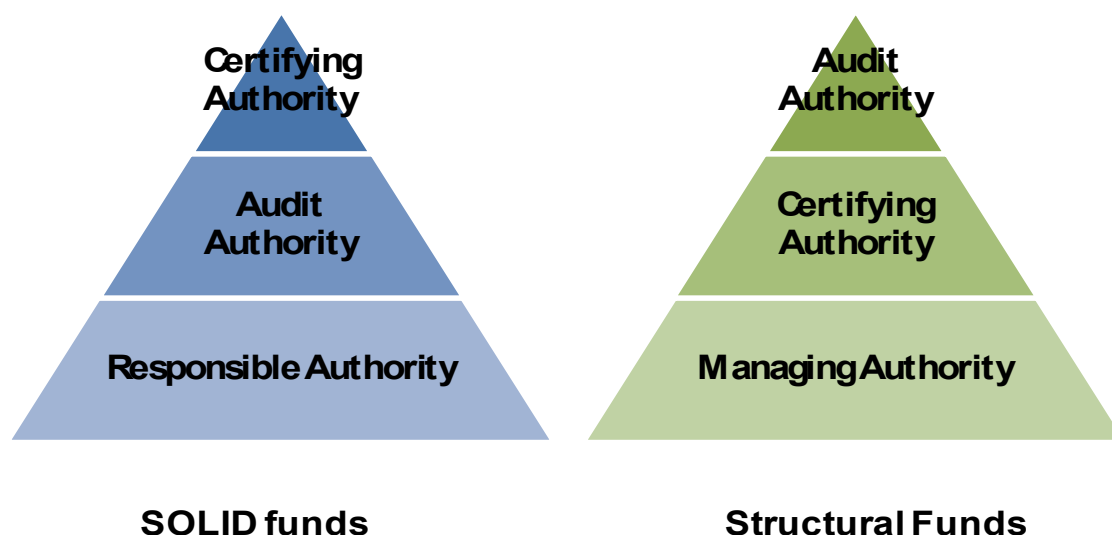
Persistent weaknesses and failures in Certifying and Audit Authorities

70. As in the Structural Funds, the SOLID programme has a three-tier structure which includes a Responsible (or Managing) Authority and Audit and Certifying Authorities. The difference is that under the SOLID structure, the Certifying Authority is at the top of the assurance model (see **Figure 5**), placing reliance on the work of the Audit Authority, whereas in the long-established Structural Funds, it is the opposite. This has led to misunderstandings in Member States about the roles and respective duties of the Certifying Authority and Audit Authority. The Commission did not detect this in its assessment of the Monitoring and Control System and guidance was only provided in October 2010³³. In Germany, the lack of a clear relationship between the three

³³ SOLID 2010/15/REV.

authorities contributed to delays in reporting of several months for both the 2007 and 2008 Annual Programmes, resulting in late payments to final beneficiaries.

Figure 5 - Fund assurance models



71. The Court's audit found serious weaknesses in the work of the Certifying Authority and Audit Authority in Portugal. The Audit Authority is required by the legislation to audit a sample of at least 10 % of the total eligible expenditure for each annual programme. The Portuguese Responsible Authority contracts out audits to a private body, which it uses as the first level control of project cost claims. In contravention to the legislation, the Audit Authority uses these same audit reports to fulfil its 10 % requirement. Although, the Audit Authority also carries out its own on-the-spot project audits, these do not cover all the annual programmes and represent less than 10 % of eligible costs.

72. The "Serviço de Estrangeiros e Fronteiras" (SEF) has been designated as the Certifying Authority in Portugal. In the audit for the 2009 Statement of Assurance, the Court found serious weaknesses in the certification carried out by SEF for the predecessor of ERF III (ERF II). In 2011, the Certifying Authority was still failing to fulfil its responsibilities, both in terms of the quality of work

performed and delays in completing certification. The Responsible Authority was already late in submitting reports on the execution of final programmes and at the time of the audit, the Certifying Authority had exacerbated the situation by failing to issue certifications for the 2008 EIF and ERF reports, or the 2009 EIF progress report. Furthermore, the time spent on-the-spot was hastily arranged and insufficient to properly conduct the work necessary for the certification. No evidence could be presented of the work undertaken, but the sampling methods described during the Court's audit were flawed and unlikely to lead to reliable results. The Audit Authority has itself issued a qualified opinion on the work of the Certifying Authority. While the situation persists, the control obligations of the Funds are not met, increasing risks to sound financial management, and leads to cash-flow problems at beneficiary level.

The Responsible Authorities are mostly fulfilling their key functions despite the limitations in design and implementation

73. Responsible Authorities faced difficulties in the early stages of the programme due to time pressures arising from delays in the adoption of legislation (see paragraph 62). They continue to be hindered by the onerous programming and reporting requirements which, in three of the five Member States audited, have been compounded by understaffing. In Germany, during the early years of the programme, project verifications could not be performed on time due to the lack of Responsible Authority personnel, but this was remedied by the time of the Court's audit. In the Czech Republic, resource constraints have meant that interim reporting and requests for intermediate payments are not made and a guide for final beneficiaries not yet produced. The lack of personnel in the Portuguese Responsible Authority has meant that on-the-spot support at final beneficiaries has been limited.

74. The Responsible Authorities audited by the Court demonstrated high levels of commitment and were satisfactorily performing most of the fundamental tasks necessary for the management of the Funds. Examples of good practice were observed which make a strong contribution to the effectiveness of the

Funds. These include the pre-start visits made in the UK to final beneficiaries (see **Box 8**) and both Germany and Luxembourg's improvements in setting up systems for the collection of indicators on projects.

75. In three of the five Member States³⁴, insufficient written guidance was provided to final beneficiaries on the eligibility of costs. The Commission had provided an eligibility manual with a caution on appropriate use, implying that Responsible Authorities should accompany it with supplementary explanation and guidance. However, these Member States interpreted the Commission's disclaimer to mean it should in no circumstances be forwarded to beneficiaries and provided no alternative written guidance.

³⁴ Czech Republic, Germany, Portugal.



ERF project 'Accommodate PRS (Private Rented Sector)' implemented by the Housing Associations' Charitable Trust (HACT), UK

Box 8 - UK Responsible Authority pre-start visits

The **UK Responsible Authority** has, since May 2010, incorporated 'pre-start assurance' visits into its project management and monitoring. These provide an additional level of support and guidance to the 'pre-assurance workshops' arranged for multiple beneficiaries. The visits are made by Responsible Authority officials to the premises of project beneficiaries who have been selected for EIF or ERF funding. Taking place prior to the signing of the grant agreement, and before the implementation of the actions, they serve to inform the beneficiary about the practical aspects of running the project, to check that they have the necessary systems in place to successfully do so, and to improve understanding about expectations and eligibility of funding. Focus is given to the expected deliverables of the project, to check that objectives and activities are realistic and achievable and ensure that the necessary monitoring and data collection will take place during the course of the project.

CONCLUSIONS AND RECOMMENDATIONS

76. The Court's audit examined whether the EIF and ERF of the SOLID programme contribute effectively to the integration of third-country nationals. The audit concluded that it has not been possible to measure success of the annual programmes due to the lack of a proper monitoring and evaluation system. Nevertheless, most of the individual projects audited achieved positive results and Member States generally consider the Funds to have added value.

77. Effectiveness of the Funds has been hampered by a fragmented design, insufficient complementarity with other EU funds, in particular with the ESF, as well as by successive delays and certain weaknesses in the management and control systems. As a result, the Funds are unlikely to be fully effective.

78. The conclusions and recommendations below begin with the results available on the contribution of the Funds to integration, their design and implementation. Many of the findings could be valid for the other SOLID funds since the management and control provisions are similar.

Effectiveness of EIF and ERF could not be measured

79. The Commission and Member States are unable to assess the overall effectiveness of the Funds in supporting the integration of third-country nationals because Member States have not set up effective monitoring and evaluation systems to report on the achievement of the programmes. Although the Commission provided extensive guidance on indicators, four out of the five audited Member States showed significant weaknesses in the inclusion of SMART objectives in programmes, setting up appropriate IT collection systems and/or reporting on the achievement of targets. Consequently, their ability to monitor and steer the programmes has been hampered. The Commission failed to detect and redress these shortcomings.

80. The informative value of the Commission's EIF intermediate report is weakened by the lack of comparable data and its delayed publication. It provides only a very limited assessment of the EIF results for stakeholders. In preparation for the upcoming ex-post evaluation, the Commission is now addressing the lack of comparable data by requesting Member States to provide information on basic common indicators. However, since these indicators were not established in advance and collected during implementation, the potential validity and usefulness of the evaluation are weakened and the process becomes inefficient.

Recommendation 1

The Commission should define an obligatory minimum set of common indicators for the Member States to measure output and outcome of their programmes, building on the provisions set out in the Commission's proposal for 2014-2020.

Recommendation 2

Before approving the programmes, the Commission should require Member States to set SMART indicators and set up IT systems to collect data from the start.

Recommendation 3

Member States should, wherever possible, set target values for objectives in order to be able to measure the achievement of programmes.

Recommendation 4

The Commission and Member States should exchange good practices on monitoring and evaluation.

Audited projects largely contributing to integration but not all available funds are used

81. Nearly all of the audited projects achieved results which were found to contribute to the integration of third-country nationals in the context of the Member States' strategies set out for this. Almost all EU Member States commented in the EIF intermediate report that the funds provided added value.

82. The rate of EIF budget implementation in Member States for the 2007 and 2008 APs was generally low, though large variations are visible between Member States. Although the total Fund implementation rate improved from 66 % (2007) to 77 % (2008), the Fund remained significantly under-utilised in several Member States.

Recommendation 5

Member States should take steps to ensure programmes are fully implemented. This may be done through extension of the scope of national programmes, liberalisation of national rules to ensure that funding is available to all organisations who are able to contribute to the integration strategy, or through more extensive information and publicity activities.

Fragmented design of the Funds causing disproportionate and excessive administrative burden for final beneficiaries, Member States and the Commission

83. The management and control requirements, and in particular the system of annual programmes, second pre-financing payment arrangements and the three-authorities structure, have imposed a disproportionately heavy burden on

Member States and final beneficiaries, as well as the Commission. Some Member States have added to this burden through national legislation and by creating additional obligations. This deters final beneficiaries and is a drain on Commission and national resources.

84. Annual programming has placed high demands on the Commission's resources, contributing to delays in its work and was not adequately considered by the Commission or legislators in the planning phase.

85. The experiences from structural fund management on programming, payment arrangements and monitoring systems were not used by the Commission or the audited Member States to learn lessons or anticipate problems.

Recommendation 6

The legislation should introduce a system of single national programmes to cover the whole financial programming period, instead of the existing annual programming arrangements, in line with the Commission's proposal for 2014-2020.

Recommendation 7

The legislation should simplify the Commission's payment arrangements, in line with the Commission's proposal for 2014-2020.

Recommendation 8

Before introducing new management and control requirements and when establishing the corresponding systems, the Commission and Member States

should give due consideration to proportionality, the resource impact and take into consideration experience in the management of similar programmes.

Coherence and complementarity with other EU funds not sufficiently ensured

86. There was no comprehensive assessment of integration needs in the EU and, hence, no overall strategy on how to address them. Furthermore, important existing or planned Union instruments supporting similar actions were not identified by the Commission in their preparatory work.

87. The EIF and ERF (integration part) were drawn up as separate instruments from the existing ESF which already targeted integration of third-country nationals and EU citizens. Although certain efforts were made to ensure coherence and complementarity with the ESF by the Commission in both the design and implementation phases, these were not effective. The Member States audited do not even comply with the minimum requirements to coordinate with the ESF. As a result, there are significant overlaps between EIF and ESF, with the ESF supporting the integration of third-country nationals with significantly larger amounts. Apart from an increased risk of double-funding, overlaps are causing additional costs (e.g. staff costs) and potential synergies are lost.

Recommendation 9

The Commission should carry out a comprehensive assessment of needs for integration regardless of whether migrants have EU or third-country nationality.

Recommendation 10

Based on this assessment, an appropriate fund(s) structure should be designed which ends the separation of the target population on the basis of nationality and which is oriented towards the needs of the Final Beneficiaries. Setting an obligatory priority to fund third-country nationals would ensure that they receive the necessary specific attention.

Recommendation 11

The Commission should place greater importance on obtaining concrete details of Member States systems for ensuring coherence and complementarity in EU funds.

Successive delays hampering implementation at both MS and Commission level

88. The late adoption of the legal basis delayed the implementation, in particular, of the 2007 and 2008 annual programmes, and contributed to a low implementation rate. The lack of clear requirements from the start of the programmes increases the risk of funding ineligible activities.

89. The audited Member States were late in submitting their annual programmes, as was the Commission in approving the corresponding financing decisions. For Member States not prepared to commit funds before the approval of the programmes, the start of projects was delayed and the period for implementation shortened.

90. Delays in submission and approval of programmes and reports continue to be incurred by both Member States and the Commission, largely due to the administrative burden.



ERF project implemented by Conselho Português para os Refugiados (CPR) (Portuguese Refugee Council)

Recommendation 12

Using the lessons learnt from the programming period 2007-13, legislation should be ready for the start of the new programming period (2014-2020).

Delays in the establishment of effective management and control structures in the Member States

91. The Commission has issued a broad range of guidance for the Member States' authorities on important aspects of the management and control system. However, these were not provided early enough, limiting Member States' understanding of the requirements. Ad hoc questions by Member States on such issues were usually answered effectively by the Commission services.

92. In most audited Member States the Management and Control Systems (MCS) were not ready from the outset. The Commission's checks on the MCS description did not reveal this. Despite starting difficulties and insufficient human resources the Responsible Authorities in these Member States manage the programmes well.

93. In one Member State both the Certifying and the Audit Authority are still failing to fulfil their tasks, putting the sound financial management of the SOLID programme at risk.

Recommendation 13

The Commission should ensure that critical guidelines are available to Member States at the start of the programming period.

Recommendation 14

The Commission should ensure that MCS are ready for the start of the programme through adequate checks demanding a practical description of how the legal basis is implemented in a Member State.

Recommendation 15

Member States should provide the necessary human resources for the authorities so as to fulfil their legal obligations.

This Report was adopted by Chamber IV, headed by Mr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 13 November 2012.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA

President

AUDITED PROJECTS

Country	Final Beneficiary	Project name	Annual Programme
Czech Republic	Správa uprchlických zařízení MV	<p><i>Zřízení a provoz Center na podporu integrace cizinců I.</i></p> <p>Establishment and operation of centres for support of integration of foreigners</p> <p>The project's objective was to establish centres to support the integration of legally-residing foreigners in Plzeň and Pardubice. The centres are to provide social and legal counselling, courses and to act as a platform for relevant stakeholders.</p>	EIF 2007
Czech Republic	Výzkumný ústav práce a sociálních věcí	<p><i>Metodika hodnocení monitorovacích nástrojů integračního procesu cizinců z třetích zemí v ČR - 1. Fáze</i></p> <p>Methodology for evaluating instruments for monitoring the integration process for third-country nationals in the Czech Republic – Phase I</p> <p>The project aimed to provide a methodology and a set of key indicators for monitoring TCN integration</p>	EIF 2008
Czech Republic	Občanské sdružení Berkat	<p><i>Pracovní poradenství v komunitním centru InBáze</i></p> <p>Job Consultancy in the Community Centre InBáze</p> <p>The aim of the project was to provide occupational guidance and retraining for asylum seekers.</p>	ERF 2008

Czech Republic	Poradna pro integraci, občanské sdružení	<i>Adaptace azylantů v novém domově</i> Adaptation of refugees in the new home The project activities included the provision of essential information, social and legal counselling and personal assistance for refugees.	ERF 2008
Germany	Türkische Gemeinde in Deutschland e.V. (TGD)	<i>Initiative für Einwanderung und Integration</i> Initiative for immigration and integration The project offered counselling, information activities and elementary German courses for third-country nationals who are moving to Germany for family reunification. The activities take place in Turkey.	EIF 2007
Germany	Diakonisches Werk der Evangelischen Kirche in Deutschland e.V.	<i>Mitten im Leben - Diakonie in der Einwanderungsgesellschaft</i> In the middle of life – Diakonie in the immigration society The project supported the “intercultural opening” of the social services of the Diakonie. Activities included workshops with staff from different regional areas of the association, conference etc.	EIF 2007
Germany	OASE Berlin	<i>Junge Flüchtlinge in Berlin</i> Young refugees in Berlin Qualification, orientation and leisure activities for unaccompanied minors with refugee background	ERF 2008
Germany	Caritasverband für das Erzbistum Berlin e.V.	<i>"...und drin bist Du?" Flüchtlinge als Teil der Gesellschaft - auf dem Weg in ein selbstbestimmtes Leben</i>	ERF 2008

		<p>“...are you in?” Refugees as part of society – on the way to a self-determined life</p> <p>Project aimed at improving reception conditions and aims both directly at asylum seekers/refugees and at services/structures in Eastern Brandenburg.</p>	
Luxembourg	Association de Soutien aux Travailleurs Immigrés (ASTI asbl)	<p><i>Partenariats pour l'intégration interculturelle: mise en place de services d'information et d'orientation</i></p> <p>Partnerships for intercultural integration: Setting up of Information and orientation services</p> <p>The project included information and orientation services for immigrants, activities with the host society and interpretation services.</p>	EIF 2008
Luxembourg	Fondation Caritas Luxembourg	<p><i>Partages: faisons connaissance!</i></p> <p>Let's get acquainted!</p> <p>The project aimed to develop encounters between immigrants and host society in order to strengthen the relationship.</p>	EIF 2008
Luxembourg	Comité de liaison des associations d'étrangers (CLAE)	<p><i>Échanges d'expériences et de bonnes pratiques relatives aux mesures d'intégration des ressortissants des pays tiers et participation de ces ressortissants à la définition et à la mise en œuvre de politiques d'intégration / A Citoyenneté Égale</i></p> <p>Exchange of experiences and good practices in integration of third-country nationals and participation of these in the formulation and implementation of integration policy/ Equal citizenship</p> <p>Activities of the project included researching immigrant associations</p>	EIF 2008

		and the establishment of contacts with them	
Luxembourg	Association de Soutien aux Travailleurs Immigrés (ASTI asbl)	<p><i>Participation et Formation pour le Vivre Ensemble</i></p> <p>Participation and Education for living together</p> <p>The project aimed to improve the inclusion of asylum seekers into Luxembourg society through language courses and qualifications and carry out activities and information sessions.</p>	ERF 2008
Luxembourg	Fondation Caritas Luxembourg	<p><i>Form'actif</i></p> <p>The project was targeted towards young asylum-seekers and refugees, to enhance their chances of integration by improving language skills, job skills and knowledge of Luxembourgish culture and way of life.</p>	ERF 2008
Luxembourg	Comité de liaison des associations d'étrangers (CLAE)	<p><i>Encadrement social et d'activités de loisirs dans centres d'hébergement</i></p> <p>Social assistance and leisure activities in accommodation centres</p> <p>The project included the organisation of socio-cultural activities and courses in accommodation centres for refugees.</p>	ERF 2008
Portugal	Serviço de Estrangeiros e Fronteiras (SEF)	<p><i>Centro de contacto multilingue com gestão automática e integrada do agendamento</i></p> <p>Multilingual Contact Centre with Automatic and Integrated Scheduling Management</p> <p>The project included the purchase and installation of VOIP (Voice Over Internet Protocol) equipment, training and maintenance for a call-center.</p>	EIF 2007
Portugal	Alto Comissariado para a Imigração e	<i>Projectos municipais para a promoção da interculturalidade</i>	EIF 2008

	Diálogo Intercultural, I.P. (ACIDI)	Municipal projects to promote interculturality The project supported activities of municipal authorities and civil society to further local integration of migrants	
Portugal	Conselho Português de Refugiados (CPR)	<i>Acolhimento de Refugiados e Interação com a Comunidade Local</i> Reception of refugees and interaction with local community The project supported the initial reception and integration of asylum-seekers, refugees resettled and unaccompanied minors via the reception centre.	ERF 2008
Portugal	Conselho Português de Refugiados (CPR)	<i>Formar e Informar para o Asilo e Refugiados</i> Training and information on asylum and refugees The project aimed to sensitise and inform the host society on issues concerning refugees, among other activities via an e-learning training course and via a series of conferences delivered to students and teachers.	ERF 2008
United Kingdom	Slough Borough Council	<i>Migration Works</i> Project's purpose was to develop a model of support for TCNs, with learning and networking opportunities	EIF 2007
United Kingdom	Bradford College	<i>Bradford welcomes new arrivals</i> Project's purpose was to deliver intensive courses in English on a number of subjects designed to help integration of TCNs, e.g. language-learning.	EIF 2008

United Kingdom	The Housing Associations' Charitable Trust (HACT)	<i>Refugee Community Housing and Employment Project</i> The project supported refugees by providing training and work placements for them and by stimulating partnerships between local Refugee Integration and Employment Service, Housing Associations, Local Authorities and Refugee Community Organisations.	ERF 2008
United Kingdom	Merseyside Fire and Rescue Service	<i>Fire awareness, accommodation and integration for refugees</i> The project included home checks, website development, leaflets and the education of landlords with regards to fire safety issues and safe working practices.	ERF 2009

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

"DO THE EUROPEAN INTEGRATION FUND AND EUROPEAN REFUGEE FUND CONTRIBUTE EFFECTIVELY TO THE INTEGRATION OF THIRD-COUNTRY NATIONALS?"

EXECUTIVE SUMMARY

III. As required by the legal basis, the Commission will assess the contribution of the European Fund for the integration of third-country nationals and of the European Refugee Fund on the basis of detailed results received from the national evaluation reports covering the period 2007-2010 to be submitted by 31 October 2012. This should be done on the basis of common indicators set by the Commission in such a way as they are compatible with the Member States' own indicators at project level and as they produce meaningful results at national and European level. Meanwhile, in compliance with the legal basis, the Commission has published an intermediate report on the results achieved and on quantitative and qualitative aspects of the implementation which indicated that projects showed positive results as far as integration is concerned. This is not affected by the fact that some Member States were not in a position to spend their full EU allocation in the first two years of implementation, when the Fund was first launched.

IV. The Commission does not consider that the design of the EIF is fragmented, burdensome and inadequately coordinated. While recognizing that the design of the European Integration Fund could have been simpler, this design reflects legal constraints deriving from the Treaty which imposes different Funds for different target groups. It also reflects political choices made in 2006 and 2007. Annual programming exercises for instance were considered a means for the Funds to be able to respond to the political dynamics which evolved quickly both at EU and national level in the sensitive area of immigration. The comprehensive set of rules established in the Funds were developed to steer the new Authorities who were then inexperienced in the management of the Funds and to ensure sound management. The Commission has been and is proactive and has taken a pragmatic approach towards National Authorities to facilitate their management of the Funds whenever possible.

The Commission does not consider that the insufficient coherence and complementarity with other EU funds leads to overlaps, missed opportunities for synergy and risk of double-funding. The Commission will ensure that concrete arrangements are in place at national level to ensure complementarity and avoid overlaps.

VIII. V. The Commission agrees that Responsible Authorities in general are highly committed in fulfilling their core tasks. In cooperation with them, the Commission has worked extensively to compensate for the late adoption of the Funds and to facilitate as much as possible the first years of the Funds' implementation at national level where a whole system had to be set up. This was notably done by providing day-to-day and detailed guidance since the beginning. As also recognized by National Authorities, this has proved very useful and helped clarifying misunderstandings.

IX. VI. Delays in approving annual programmes have been shortened significantly. However, even with experience, it proved challenging for both the Commission and the Member States to cope with the very difficult deadlines set in the legal basis.

X. In all cases where deficiencies in the Member States were identified, appropriate action has been and is taken by the Commission to avoid any risk of undue payment of any EU funds.

XI. VII.a) The Commission agrees that, with the experience gained, it is now possible to move to a single multi-annual national programme. This is reflected in the future Multiannual Financial Framework 2014-2020, where it is proposed in the Commission's proposal for a Regulation for the Asylum and Migration Fund (adopted on 15 November 2011 (COM(2011)751)) to have a single multi-annual programme.

XII. VII.b) The Commission has taken into consideration proportionality, the amount of the funds involved and the impact on resources in its proposal for a Regulation for the Asylum and Migration Fund. The management and control system requirements are defined in more detail in the new Financial Regulation.

XIII. VII.c) The Commission does not see the need for a comprehensive assessment of needs for integration regardless of whether migrants have EU or third-country nationality. EU citizens may not be subject to any integration measures which restrict their right to move and reside freely in the EU. The legal situation of third-country nationals and EU citizens is not the same and they cannot be targeted in a comprehensive assessment without making a clear distinction between them.

The Commission cannot design a fund structure which ends the separation of the target population on the basis of nationality. The difference of target populations is based on the difference of legal bases.

The EIF is part of the common immigration policy (Article 79 points 1 and 2 TFEU), which aims at ensuring efficient management of migration flows and fair treatment of third-country nationals residing legally in the Member States.

XIV. EIF measures focus on the first steps migrants can take to become integrated in a new country, usually in the main urban settings. The ESF aims to intervene at later stages with measures that favour integration and inclusion mainly aimed at the participation in the labour market. In this second phase (ESF) migrants could be mixed with other target groups. The two Funds should be kept separate since they intervene in different moments of the migrants' integration. The Commission has always considered that the division and complementarity between the two Funds should be determined at the level of Member State.

XV. VII.d) The Commission will pay greater importance to ensure that the Member States provide more detailed information on the coherence and complementarity in EU funds.

XVI. VII.e) The Commission agrees with the recommendation to have common indicators for the Member States in the Commission's proposal for 2014-2020.

XVII. The Commission has already included obligatory common indicators in the proposal for the draft Regulation for the Asylum and Migration Fund, which it adopted on 15 November 2011 (COM(2011)751).

XVIII. VII.f) The proposed Regulation for the Asylum and Migration Fund, and the new Financial Regulation will require that the Member States have adequately established management and control systems with formally designated bodies before they will be able to

receive EU funds. The Commission is and will continue discussing and informing Member States of the new requirements.

INTRODUCTION

4. The current “General Programme on Solidarity and Management of Migration Flows for the period 2007-2013” (SOLID programme) was created as part of the multi-annual financial programming 2007-2013. It was a new programme compared to other EU instruments in shared management. In addition, it is worth mentioning that the SOLID programme brought together a dozen small programmes, pilot projects and preparatory actions that were previously running independently and without being coordinated among them. Further the SOLID programme allowed Member States to develop their own programmes.

9. The European Integration Fund targets the integration of third-country nationals as defined in the legal basis, at the time Article 63 point 3 (a) TEC (now Article 79 points 1 and 2 TFEU) for immigration, which concerned third-country nationals and not EU citizens. The legal basis for integration introduced through the Lisbon Treaty (Article 79 point 4 TFEU) covers measures established to provide incentives and support for the action of Member States with a view to promoting the integration of third-country nationals residing legally in their territories, excluding any harmonisation of the laws and regulations of the Member States.

EU citizens may not be subject to any integration measures which restrict their right to move and reside freely in the EU.

OBSERVATIONS

20. The Commission considers that the Funds' overall contribution to the integration of third-country nationals can now be measured beyond results at project level. By 31 October 2012, each Member State must submit a national evaluation report on the results and impacts of the Funds for the period 2007-2010. Based on the analysis of all the funded projects and the results achieved by each Member State on a set of indicators common to all Member States, it should be possible to have a meaningful assessment of the policy effect of the Funds. The national reports must assess the effectiveness, efficiency, value added and complementarity of the Funds and their impact at national level, both quantitatively and qualitatively. These Member State reports as well as the subsequent Commission reports, should adequately evaluate the results and impact of the Funds. The Commission reports will be available in 2013 and will be submitted to the EU institutions and widely published.

24. The Commission acknowledges that the definition of quantifiable targets in the annual programmes 2007 and 2008 has not been optimal. The emphasis in 2007 and 2008 was put on the adoption of annual programmes for which there was a real risk of loss of appropriations since the legal basis was adopted late (in 2007) and a number of activities needed to be performed before adopting the annual programmes. At that time, the Commission also wanted to preserve a degree of proportionality between the administrative burden for National Authorities and beneficiaries for annual programmes with small allocations and the need to have annual programmes adopted as soon as possible. Since 2009 the Commission is already paying more attention to these aspects and will make a close follow up for the next annual programmes for the countries where measurable targets would deserve a more thorough definition.

See also Commission's reply to paragraph 62.

26. During the closure process of the first annual programmes, the Commission has requested Member States to improve some aspects of the information provided in the closure documents in particular to gain a fuller picture of the attainment of the multi-annual and annual objectives.

27. The Commission considers that it can assess the effectiveness of the Funds. The fact that some Member States have to improve the actions' output indicators in their annual programme will not prevent the Commission from making its assessment. Further the national ex-post evaluation reports must be based exclusively on the indicators set out in the Commission templates, which are always measurable and in turn refer to project-based indicators, not to those set out in the national programmes.

29. The Commission considers that the presentation followed in the intermediate report is the correct way to table the operations covered by the programmes. The table in the report presents a synthetic overview of the different actions planned by the Member States and reflects the strategy actually chosen by each Member State. As such, it is considered very meaningful for understanding the Fund's implementation. However, the Commission acknowledges that the title of this table does not fully reflect its content.

The Commission also acknowledges that there is one inaccuracy for pre-departure measures funded by Germany.

30. At the time the Member States had to submit the national evaluation reports (30 June 2010), they had available results only for the first annual programme (out of seven in the programming period). Therefore, even if common indicators had been available at this time, their analysis would have been of limited value as the period analysed was too short. This explains why the Commission did not consider it a priority to develop common indicators but preferred to focus on launching the programmes and setting up effective management and control systems.

The situation is different for the national evaluation reports due on 31 October 2012, which should cover several completed annual programmes. The Commission has designed the common indicators to be used by all Member States for this evaluation in such a way as (a) they are compatible with the Member States' own indicators at project level (b) they produce meaningful results at national and European level. The same approach was followed for the ERFII final evaluation, with very good results.

The Commission has indeed proposed an obligatory set of common indicators from the start of the new programme for the period 2014-2020. This will enable Member States to collect data throughout the programming period, but, as explained above, does not change the availability of data at the time the evaluation report has to be submitted.

31. The Commission confirms that the examples of projects tabled in the intermediate report are not deemed to be representative projects, but 'success stories' identified by each Member State based e.g. on the project content, its effectiveness or its innovatory aspects.

Given the wide range of actions covered by the EIF and the high number of projects funded, there is no "representative" project.

32. The Court's remark refers to the part of the national evaluation report, where Member States were asked to express their assessment of the EIF, in particular as regards their needs and

priorities. The feedback received was both positive and negative. The Commission respects the position expressed officially by Member States, even when it is negative.

The Commission has taken into account in its proposal for the Asylum and Migration Fund (2014-2020) the criticism expressed *inter alia* by the two Member States quoted by the Court, by enlarging the target group of the Fund and by simplifying the implementation procedures.

33. For the reason explained above, at the time the national evaluation reports had to be submitted, only very limited information was available to the Member States.

Detailed and meaningful information on the outputs, results and impacts of the Funds have to be made available in the national evaluation reports covering the period 2007 to 2010 due at the end of October 2012, because the timing of these reports allows covering several years of the Funds' implementation.

34. and 35. *Common reply*

The annual programmes of 2007 and 2008 were adopted in late 2008 and early 2009. Both 2007 and 2008 had overlapping eligibility periods and had to be run in parallel. Thus the combination of the late adoption and the challenges linked to the implementation of a new Fund (such as new Responsible Authorities, new rules, new management and systems in place), the first two years of implementation were exceptionally difficult. Further it is highly probable that the late adoption and challenges affected the rates of implementation. The Commission is closely monitoring the evolution of the implementation rate by Member States.

36. The report submitted by the Commission is an intermediate report on the results achieved and on quantitative and qualitative aspects of the implementation. Therefore, its purpose is linked to implementation and it is not an evaluation of the effectiveness of the Funds. It was deemed too early to assess the effectiveness of the Funds after only the two first years of EIF and one year of ERF III. First assessments on the effectiveness of the Funds are being measured on the basis of the national reports that were not available at the time of the Court's audit and are due on 31 October 2012.

37. The large majority of projects have achieved positive results for the integration of third-country nationals. The Fund has become in a very short period of time an effective tool at the EU level in the area of integration.

38. The fact that some projects did not work perfectly or provided average results is an embedded and acceptable risk in project management. Therefore it is not unreasonable that four out of 22 projects audited may not have achieved their objectives. However as the area of integration of third-country nationals and the shared management mechanism is new to the Member States one cannot expect a perfect success rate since the beginning. With the experience gained, Responsible Authorities have been developing more accurate targets.

Box 5 - Example of a failed project

The project "Merseyside Fire and Rescue Service (MFRS)" had to stop because the beneficiary overestimated the number of people from the target group which would have been affected by the project. Therefore, this example shows that the application, while being innovative, was not well conceived.

While the Commission provided pragmatic guidance to Member States on evidence of target groups, the Responsible Authority in this case applied stricter rules on beneficiaries than those imposed by the regulatory framework set by the Commission.

39. While acknowledging that some actions in annual programmes could have set more detailed targets or quantified results, this does not prevent them from having achieved good projects and programmes.

40. The Commission considers that the Fund is to be considered as an instrument that allows the financing of important integration activities in the Member States. In very few years the European Fund for the Integration of third-country nationals has become a tool that fosters integration-related activities in the participating Member States and is considered by Member States to be valuable for integration.

42. The first results on the effectiveness of the Funds can be adequately measured only after the feedback given by Member States on the first three years of implementation, i.e. as of October 2012. Moreover, what the Court has identified as "weaknesses" are deliberate choices made at the time that, in light of the experience, appear not be necessarily the best solution, in view of available resources and challenges.

44. The split between the two Funds was imposed by the different legal bases in the Treaty, leading inter alia to incompatible adoption procedures: ERF had to follow the co-decision procedure with the Council (qualified majority voting) and the European Parliament while EIF had to be adopted by unanimity in the Council with a simple consultation of the European Parliament.

While sometimes similar actions could legally fall under both the EIF and ERF, this is not the case for all actions since target groups of EIF and ERF and their needs differ.

- 44. *First indent* - Integration of refugees is a single strand of ERF and other actions are also covered by ERF area such as reception conditions. The ERF already existed as of 2000 and in order not to affect its continuity of operations, ERF III was conceived as a continuation of ERFII which proved to be a great success and adapted to the needs on the ground. The other actions of ERF would have been adversely affected if they had been combined in competition with EIF. Though they are two different instruments, the two Funds were conceived as constituting a coherent framework both politically and operationally, where each Fund reflects the objectives of a policy but exist in parallel. This is also reflected by the fact that both Funds share a common set of implementation and management rules as well as control and monitoring rules.

- 44. *Second indent* - In any programme, the costs must be reported in accordance to the projects to which they are incurred and non-eligible costs separated out.

45. The annual programming exercise, while challenging, was deliberately chosen by the Commission at that time. It was considered that it allowed for a better adaptation of the political dynamics which evolve quickly both at EU and national level in the sensitive area of immigration policies. It was also considered as the most suitable instrument to look more closely at the eligibility of the actions, taking into consideration the novelty of the actions proposed by the Fund and the limited experience of National Authorities in this context. However, it is possible that the impact has been more important than what had been foreseen at that time.

46. and 47. *Common reply*

Taking into account that both the Commission and Member States have now gained experience in this area, the Commission considers that resources could now focus on other activities concerning the implementation of the Funds.

The Commission has therefore proposed to move to multi-annual programming for the future Multiannual Financial Framework. This will also constitute a simplification and be in line with Structural Funds.

48. Although it cannot be ruled out that some Member States have not fully understood the requirements for lodging their requests for second prefinancing, this is not the only reason for the low number of requests for 2nd prefinancing. Indeed, in many cases, Member States overestimated the work required and sometimes even added bureaucratic burden at national level. Also, sometimes Member States decided to give priority to drafting their annual programmes and speeding up the closures for the programmes already implemented.

Despite the clarifications provided in 2010 the number of Member States requesting a second prefinancing remains very low.

To avoid any cash flow problems for final beneficiaries, the Commission has treated until now all second prefinancing requests as a matter of priority. However, in the context of growing pressure on payment credits in the EU budget this might not be possible any more in the near future.

49. The Commission is aware of the fact that the management and control system applied at Member States level can be considered heavy in comparison to the level of funds managed. To avoid unnecessary complications in the systems implemented by the Member States, the Commission provided clarification through two conferences in June 2008 and 2009 and a guidance note in 2010.

There were strong reasons for taking inspiration from the Structural Funds in the design of the management and control system. The main one was to benefit from their longstanding experience in managing EU funds and to avoid any risk of irregular spending in this new area for shared management.

50. Each Member State is free to choose its own management and control system. The Commission only sets the minimum internal control criteria that have to be complied with to give assurance on the management of EU funds.

Both Member States quoted by the Court represent cases where the National Authorities have added unrequested layers of checks.

51. What the Court has identified as "weaknesses" are deliberate choices made at the time by the legislator.

52. In 2005, the Commission carried out an ex-ante impact assessment that though it was not formalised, was taken into account during the discussions that led to the adoption of the Common Basic Principles, endorsed by the Justice and Home Affairs Council in November 2004, which reflect the needs and the objectives in the area of integration of third-country nationals. The Commission also consulted the National Contact Points on Integration as well as some NGOs.

53. The EIF is a response at EU level to the need to have a financial instrument that would be part of a common immigration policy and which would address the specific needs of third-country nationals once residing in the EU. Other EU programmes fund a wide range of actions some of which could also benefit the integration of third-country nationals but this is not their main objective. These other instruments are not specifically designed for the needs of third-country nationals, many of whom are also newly arrived with special needs during their first years of residence. These other programmes are also concentrated in geographic areas that do not have a high concentration of third-country nationals.

None of the other EU instruments have the specific obligation to fund integration activities of third-country nationals in the Member States.

(d) 53.a) to 53.c) *Common reply*

(e) The European Social Fund (ESF) was set up in order to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living. It aims to render the employment of workers easier and to increase their geographical and occupational mobility within the Union, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining (Article 162 TFEU). Its objective is also to reduce differences in prosperity and living standards across EU Member States and regions, and therefore promoting economic and social cohesion. It is devoted to promoting employment in the EU. Funding is spread across the Member States and regions, in particular those regions where economic development is less advanced. The EIF, on the other hand, expresses the political choice to have integration measures funded in participating Member States without depending on the political choice of Member States to include or not such measures in their programming for Structural Funds, nor on the level of competitiveness of regions. The level of ESF funding differs from one region to another depending on their relative wealth, if the GDP per capita is more or less than 75% of the EU-25 average. This distinction between regions does not necessarily reflect the concentration of migrants to certain (primarily) urban regions, nor the particular needs as far as integration is concerned.

With the EIF, Member States consider it important to have many projects funded at national level in order to have a wide impact and take account of the national specificities. Member States considered and still consider integration of third-country nationals as being their main responsibility, while the European level can provide the framework for interventions in accordance with the principle of subsidiarity. This is the reason why 93% of the EIF is mainly managed through shared management, national programmes.

As Commission managed programmes, the Research, Education and Culture programmes cannot respond to the specific requirements and political dynamics which evolve quickly both at EU and national level in the sensitive area of immigration policies. The Member States' national programmes support a large number of actions such as awareness raising campaigns on integration or projects targeting integration at local level, which is possible with EIF, managed through shared management.

Although a few Research, or Education and Culture (EAC) projects tackle integration, this cannot be compared with the large spectrum of integration actions covered by EIF, a specific dedicated instrument. In addition, EAC projects are transnational projects aiming at disseminating good practices in different Member States and have therefore very different objectives and scopes.

54. to 59. *Common reply*

The EIF is complementary to the European Social Fund (ESF). While the ESF aims to increase occupational and geographical mobility of workers within the Union, the EIF is targeted to addressing specific needs in the area of integration arising from the development of the common integration policy. Therefore, EIF measures are not identical to those funded by the ESF by including integration into all aspects of society.

The legal bases for the ESF and EIF are different and the two Funds were developed from two different policy contexts. The ESF is part of the EU cohesion policy, which aims to strengthen the EU's economic, social and territorial cohesion, in particular by reducing disparities between the levels of development of its various regions. The EIF is part of the common immigration policy which aims at ensuring efficient management of migration flows and fair treatment of third-country nationals residing legally in the Member States. Considering these different policies and the two different legal bases, the two Funds target different objectives. These different purposes could not be obtained if the Funds were a single Fund.

The ESF-supported actions addressing inclusion and integration cover both EU citizens and third-country nationals, whereas the EIF targets the particular needs of third-country nationals, in particular newly arrived. The target population of the EIF is not necessarily concentrated on the regions that receive the highest ESF support.

Most ESF-supported actions on inclusion and integration focus on meeting the overall objective of increased employment. Actions funded under the EIF target a general integration in the Country, such as introduction courses, interaction between communities, intercultural dialogue, monitoring of integration results etc.

As some actions could be covered under the two Funds and have similar objectives and in order to ensure complementarity between the Funds, the Commission services follow internal consultations and procedures to avoid overlaps when adopting the EIF and the ESF programmes.

However, as national programmes, the emphasis must be on the follow-up mechanisms by the Member States where they are obliged to ensure complementarity and avoid any overlap between the Funds.

The Commission is putting emphasis on these aspects during monitoring visits to Member States and additional attention will be paid to this important aspect.

Based on many positive assessments by Member States of the impact and added value of the EIF to contribute to the establishment of integration strategies, integration centres, introduction courses, monitoring systems etc. in the Member States, the Commission maintains that integration needs can be comprehensively addressed with the current and proposed structure of the Funds in the Home Affairs area.

Box 7 – Portuguese call centres and ACIDI comparison of EIF and ESF funding

In the specific case of Portugal, the application of the national law has the effect that only two organizations are beneficiaries of the EIF. There has been a risk of overlap for the activities carried out by these organizations which are eligible under the EIF and the ESF. In 2012, the Commission asked Portugal to take the necessary measures so as to open up the access of the EIF to relevant organizations involved in integration.

Concerning ACIDI, the risk concerns the distribution of staff costs for personnel that work on the two projects funded by EIF and ESF. The Audit Authority is aware of this risk and will follow it up.

62. The EIF and ERF legal bases were adopted after a long negotiation process. In addition, the legislative procedures (co-decision by qualified majority voting for ERF and unanimity with consultation of the European Parliament for EIF) applicable for the adoption of the legal basis were quite long taking into account that the Commission proposal was adopted in April 2005. The same applied for the Implementing Rules that, while having been discussed ahead of their adoption (as of 2007) with Member States through expert meetings, common formats and guidance documents and bilateral technical advice had to be adopted with the assistance of the management Committee which could be established once the Decisions had entered into force.

In view of these delays, the Council has increased in the legal basis the eligibility period of 2007 annual programmes to three years not to jeopardize the implementation of the first annual programmes by Member States.

63. For 2007 and 2008, in addition to the late adoption of the regulations, the legal basis imposed a heavy process before the Commission could approve annual programmes and therefore a lot of conceptual work was required to make the Funds operational from both the Commission and the Member States, such as the definition of multi-annual and annual programmes by Member States and their approval by the Commission. Member States were also required, as provided in the legal basis, to put in place management and control systems that would ensure a sound management of the resources, what had to be assessed by the Commission.

In light of the above and taking into account also the novelty of the Fund, it had been difficult to cope with the deadlines set out in the legislation which are very difficult to meet.

64. The adoption of annual programmes is now much quicker and within a reasonable timeframe, while the deadlines set out in the legal basis proved to be very difficult to attain despite the experience gained and the efforts made by the Commission to comply. It was also necessary to ensure that annual programmes were of good quality with adequate description of eligible actions to comply with the objectives of the Fund. This was not always possible within the imposed deadline.

65. The Commission put special emphasis on accompanying National Authorities in the management of the Funds at national level. Guidance was provided through daily contacts between the Commission's desk officers and the Member States but also via the organisation of six seminars/conferences and many presentations during the SOLID Committee meetings. The Commission also issued 19 guidance notes on the implementation of the SOLID Funds.

66. Taking into account the delays in the adoption of the legal framework, the Commission considers that guidance has been provided as soon as possible. It is true that the Implementing Rules were issued in March 2008 but have been extensively discussed with Member States well ahead of their adoption. As of April 2008 the Commission has organised a seminar on the Implementing Rules in order to draft the manual on eligibility rules that was distributed to Member States in June 2008. In addition, the fact that Member States were not able to spend their total EU allocation is not linked to the date when they received the guidance but mainly to the novelty of the Fund, the inexperience of the Responsible Authorities, the short eligibility period, and the fact that the two annual programmes 2007 and 2008 were run in parallel.

69. The legal basis does not request Member States to establish a system for collecting and aggregating the key operational and financial indicators as this might result in disproportionate administrative costs. However, the legal basis requires Member States to establish for each project key operational and financial indicators, to be monitored and communicated to the Responsible Authorities. The fact that this obligation was adequately included in grant agreements signed by the Responsible Authorities was verified during audits on the spot. However, for the three Member States mentioned by the Court, Commission audit missions took place before any monitoring activities had started, thus making it impossible to audit this part of the management and control system (scope limitation).

70. The Commission understands that the weaknesses identified by the Court refer to two out of the five on-the-spot audited Member States. The lack of clear relationship between the three authorities in Germany was reported by the Commission following its mission of March 2009. The action plan put in place by Germany to remedy this deficiency was therefore duly monitored by the Commission.

While the Commission agrees that the model applied in the SOLID Funds generated questions from the Member States, all these questions were resolved through general and targeted guidance provided to the Member States.

As regards Germany, this has proven to be insufficient and this very specific case is followed-up closely by the Commission.

71. and 72. *Common reply*

The Commission is aware of the problems existing in Portugal.

It has taken action in 2012 by providing targeted guidance to Portugal, and reinforcing bilateral contacts at all levels of responsibilities in order to improve the management and control system in Portugal. In parallel, safeguarding measures are being taken whenever the Commission has identified that there was a risk that ineligible expenditure may be charged to the Fund. Where the risk for the funds will be confirmed, financial corrections will be applied.

73. The setup of the SOLID Funds was challenging. This was known from the beginning and explains why the annual budget available increased each year over the 7-year programming period. The programming and reporting requirements are not onerous. Each year all annual programmes of all the Member States have been adopted and are being implemented by the Member States, therefore the Member States are not hindered. Any shortcomings linked to insufficient resources allocated by the Member States is not in line with the legal basis that

foresees that Member States shall allocate sufficient resources for each authority, when designing their management and control system.

74. The Commission considers that most of the Responsible Authorities are satisfactorily performing most of their fundamental tasks. This is reflected in the Annual Activity Report of DG Home Affairs.

75. The Commission has provided extensive guidance to Member States as regards eligibility rules. It repeatedly informed Member States that the manual was for National Authorities and that providing this document to final beneficiaries without proper instructions and recommendations may not be appropriate. However, the Commission made clear that it was crucial that final beneficiaries received guidance on eligibility rules. Many Member States organised training for beneficiaries on eligibility rules and also translated the manual.

CONCLUSIONS AND RECOMMENDATIONS

76. The Commission considers that the positive results achieved by projects funded by the EIF confirm its value added. For the overall success of the programme detailed information on the outputs, results and impacts of the Fund were made available in the national evaluation reports covering the period 2007 to 2010 that are due by 31 October 2012. The timing of these reports allows covering several years of the Fund's implementation. At the time the Member States had to submit the national evaluation reports, this was not possible because Member States had available results only for the first annual programme out of seven in this programming period.

The corresponding Commission evaluation report will provide detailed information on the outputs, results and impacts of the Fund at EU level, based on several implementation years.

77. The Fund is considered effective, relevant and added-value by the Commission, the Member States and other stakeholders. While elements can be improved and are being improved and the design could have been simpler, this has not prevented the Fund from being a robust tool that is progressively reaching its fundamental objectives. Complementarity with other EU Funds is ensured at EU level. Mechanisms in place at national level to guarantee this complementarity will be closely further monitored by the Commission.

78. In the Commission's view, the findings are not necessarily applicable to the External Borders Fund and the Return Fund, where there are very different actions and beneficiaries.

Reply to the title before paragraph 79. (Effectiveness of EIF and ERF could not be measured)

Even though the effectiveness of EIF and ERF could not be measured yet, the Commission understands that individual projects are successful.

79. The Commission will address these weaknesses with the Member States concerned to ensure that the shortcomings are addressed in the Member States concerned.

However, this should have no impact on the quality of the national evaluation reports that are due by 31 October 2012, because the Commission has requested that these reports are based on the individual projects (not annual programmes) funded so far and on their results and effects; and that, for all the projects taken together, the assessment is done against the multiannual strategy set at the beginning of the multiannual programming period by each Member State. This strategy is the framework of reference for the evaluation.

80. The data included in the Commission's intermediate report provide a comparison between the Member States and their annual programmes. At the time of submission of evaluation reports, the Member States had to report results from one out of seven years of annual programmes. Hence the assessment of EIF results could only be limited in 2010. The assessment of the results will be available in the national evaluation reports which the Member States have to submit by 31 October 2012.

The Commission has designed the common indicators to be used by all Member States for the current evaluation in such a way as (a) they are compatible with their own indicators at project level and (b) they produce meaningful results at national and European level. The same approach was followed for the ERF II final evaluation, with very good results.

Recommendation 1

The Commission agrees with the recommendation to have common indicators for the Member States in the Commission's proposal for 2014-2020.

The Commission has already included obligatory common indicators in the proposal for the draft Regulation for the Asylum and Migration Fund, which it adopted on 15 November 2011 (COM(2011)751).

Recommendation 2

The Commission accepts the recommendation that, before approving the programmes, the Commission should require Member States to set SMART indicators and set up IT systems to collect data from the start.

For the Asylum and Migration Fund for 2014-2020, the Commission has proposed to have common SMART indicators and the Member States will indeed be obliged to use them. In addition, the Commission will request the Member States to set up IT systems to collect these data in a timely manner.

Recommendation 4

The Commission agrees with the recommendation that the Commission and Member States should exchange good practices on monitoring and evaluation.

The Commission intends to propose to set up a Monitoring and Evaluation Network composed of the Member States and the Commission. The network would meet at least once a year.

81. The Commission considers that individual projects achieved positive results that contribute to the objective of the Fund to contribute to better integration of third-country nationals.

82. The implementation rates of the first years of implementation of the Funds followed a positive curve and increased from 66% to 77% from 2007 to 2008. This trend is maintained for 2009 and is expected to continue for the 4 remaining years of implementation of the Funds.

83. The Commission does not consider that the design of the EIF is disproportionate and excessively burdensome.

Despite the fact that it is heavy, the system of annual programming was deliberately chosen for

very important political reasons linked to:

- the field of intervention that is changing and needs to allow regular re-assessment of the budgetary allocations per Member States;
- the novelty of the Fund that needed close monitoring of Member States by the Commission;
- the possibility to discuss on a regular basis the activities of the Member States in the policy area; and
- to check the eligibility of some actions that could be sensitive.

84. Thanks to the experience gained from the first years of implementation of the Fund and in the light of the administrative burden, the Commission recognizes that annual programming is heavy and that resources could be now better allocated to other activities under the Funds.

85. In the next programming period 2014-2020, the Commission seeks for an alignment with the Structural Funds, as far as possible.

Recommendation 6

The Commission has therefore proposed to have multiannual programming exercise in the context of the future Fund, which also corresponds to the Court's recommendation. This will also constitute a simplification and be in line with Structural Funds.

Recommendation 7

The Commission considers that this recommendation is addressed to the co-legislators.

Recommendation 8

The Commission has already implemented the recommendation in its proposal for a Regulation for the Asylum and Migration Fund, which it adopted on 15 November 2011 (COM(2011)751).

86. There was an assessment of integration needs in the EU leading up to the formulation of objectives concerning the rights and integration of third-country nationals residing legally in the EU, agreed by the European Council in Tampere 1999, in the Hague Programme 2004 and in the Stockholm Programme 2009. These objectives were further developed into the Common Basic Principles on integration policy in the EU in 2004, based on the needs identified in and agreed by all the Member States. On this basis, the Commission has developed its Common Agenda for Integration in 2005 and the EIF was developed as a financial instrument supporting Member States' actions towards achievement of these objectives and compliance with the Common Basic Principles.

87. The EIF is conceived as complementary to ESF. The EIF is focused on the first steps new arrivals take in society. ESF intervenes at a later stage. The point where this transition takes place is to be determined and checked by the Member State, in line with the principle of subsidiarity. In short, the Member States were required to take the necessary arrangements to ensure cooperation and coordination mechanisms and to ensure that interventions under EIF are specific and complementary to ESF. Overlaps between the Funds are limited to possible projects that the Member States must control and the Commission services monitor. The Commission requested in all annual programmes a description of the mechanisms to ensure complementarity and will

closely follow up the concrete arrangements in place at national level to ensure that there is no overlap between EIF and ESF.

Recommendation 9

The Commission does not see the need for a comprehensive assessment of needs for integration regardless of whether migrants have EU or third-country nationality. EU citizens may not be subject to any integration measures which restrict their right to move and reside freely in the EU. The legal situation of third-country nationals and EU citizens is not the same and they cannot be targeted in a comprehensive assessment without making a clear distinction between them.

Recommendation 10

The Commission cannot design a fund structure which ends the separation of the target population on the basis of nationality. The difference of target populations is based on the difference of legal bases.

The EIF is part of the common immigration policy (Article 79 points 1 and 2 TFEU), which aims at ensuring efficient management of migration flows and fair treatment of third-country nationals residing legally in the Member States.

Recommendation 11

The Commission agrees to make a closer follow up in the future Multiannual Financial Framework 2014-2020 of the arrangements put in place at national level to ensure coherence and complementarity with EU Funds.

88. The rate of implementation in 2007 and 2008 was impacted by the reduced eligibility period (reduced by two-thirds for 2007 and by one half for 2008) because of the late adoption of the legal basis and the arrangements to be put in place by the Member States. In addition, the two annual programmes were run in parallel which implied that the time for absorption of the two years EU allocations by responsible authorities which were relatively new and inexperienced, was very short.

Eligible actions were well defined in the legal basis from the start and therefore, the risk of funding ineligible actions is low.

90. The Commission is making efforts so as to reduce the delay for adoption of annual programmes and reports, mainly by streamlining its own procedure and by implementing the same computerised system of communication with the Member States as the one of the Structural Funds. It is confident that this will simplify the administrative processes at each stage of the procedure.

Recommendation 12

The Commission fully agrees with the recommendation to use the lessons learnt from the programming period 2007-13 and has taken all steps to ensure that the legal basis will be adopted on time, in particular by adopting its proposal for a Regulation for the Asylum and Migration Fund on 15 November 2011. However, the Commission is not the only actor in the adoption process and cannot guarantee the achievement of this objective.

91. Taking into account the delays in the adoption of the legal framework, the Commission considers that guidance has been provided as soon as possible. Implementing Rules were issued in March 2008 but have been extensively discussed with Member States well ahead of their adoption. As of April 2008 the Commission has organised a seminar on the Implementing Rules in order to draft the manual on eligibility rules that was distributed to Member States in June 2008. In addition, the fact that Member States were not able to spend their total EU allocation is not linked to the timing of the guidance but mainly to the novelty of the Fund, the inexperience of the Responsible Authorities, the short eligibility period, and the fact that the two annual programmes 2007 and 2008 were run in parallel.

92. A management and control system is composed of different blocks, all of them are not needed at the outset. Only the blocks that were in use at the first phase of the programming period could be checked on-the-spot by the Commission. Other ones could only be described on paper.

93. The case of the Member State quoted by the Court is well known by the Commission and mitigating measures have been taken to avoid any undue payment of EU Funds.

Recommendation 13

The Commission agrees to discuss with Member States and adopt guidelines for implementation of the new Fund as soon as possible whenever possible, taking into account the timetable for adoption of the new Fund which does not depend only on the Commission.

Recommendation 14

The system foreseen in the revised Financial Regulation will be different from the current one and will rely on formal designation by the Member States based on designation criteria defined in the legal basis.