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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
TO THE COUNCIL**

**on the follow-up to 2011 discharge - Replies to requests from the European Parliament**

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## INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to the 2011 Discharge. It presents in detail the answers to 387 specific requests made by the European Parliament in its Resolutions forming an integral part of its Decisions on the 2011 Discharge<sup>1</sup>

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<sup>1</sup> 2011 General Budget Discharge, ECA' Special Reports in the context of the Commission Discharge, EDF Discharge, Agencies Discharge. Document references P7\_TA(2013)0122, P7\_TA(2013)0123, P7\_TA(2013)0125 and P7\_TA(2013)0134 respectively available at the following Web address:  
<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=20130417&secondRef=TOC&language=en>

## **European Parliament resolutions on 2011**

## Priority actions for the Commission

### *Communication of the Commission on the protection of the Union budget*

1. (§ 1a) The Commission should adopt annually, and for the first time in September 2013, a communication to Parliament, the Council and the Court of Auditors with a view to making the impact of its preventive and corrective actions as regards the protection of the Union budget public; notes that it should, in particular, disclose in due time all suspensions, interruptions and retentions which aimed to prevent errors and all the amounts (in nominal terms) recovered per Member State, international organisation or third country in the course of the preceding year through financial corrections and recoveries for all management modes at the level of the Union and broken down by Member States; the Commission should demonstrate as far as possible that the financial corrections adequately compensated for errors made, and that they contributed to lasting improvements of the management and control systems.

#### **Commission's response:**

***The Communication will be issued in September 2013***

2. (§ 1b) Financial corrections should be made by the Commission for the total amount of the Union's contribution of a programme if, due to errors or mismanagement of funds by national or regional authorities, the programme fails largely to achieve its aims, even when a part of the programme has been financed and funds have already been dispersed.

#### **Commission's response:**

***The requested action has partly been taken. The Commission works within a legal framework which defines the possibilities it has. The Commission is bound by decision C(2011)7321 on financial corrections made under articles 99-100 of the reg. 1083/2006. The Commission sets scales of flat rate financial corrections from 10% to 100% when deficiencies are detected in national, Commission or Court audits, or OLAF investigations, and taking into account the principle of proportionality. Flat rates applied depend on the type, gravity and importance of the deficiencies detected, as listed in the Commission's decision. For individual errors identified by the Court, the Commission or OLAF, the Commission ensures follow-up and that (financial) corrections (and if required recoveries) are implemented.***

***As regards agriculture, the Commission is bound by Article 31 of Regulation (EC) N° 1290/2005. Financial corrections are applied when expenditure has been incurred in a way that infringed community rules and are proportionate to the gravity of the infringement and the financial damage to the EU.***

3. (§ 1c) The Commission should provide the relevant data covering all the policies managed by the Commission in Note 6 "Financial corrections and recoveries", attached to the accounts of the Union.

#### **Commission's response:**

***This will be included in the Commission Communication of September 2013.***

4. (§ 1d) As regards the policies managed by multiannual programmes, the Commission should specify, upon the closure of the programming period, the impact of the

recoveries and financial corrections made during that period on the error rate; notes, moreover, that the Commission should demonstrate that the financial corrections adequately compensated for errors made, and that they contributed to lasting improvements of the management and control systems.

**Commission's response:**

*The Commission Communication of September 2013 will include cumulative information on the corrections made for the last three programming periods. The Communication will not however cover the issue of error rates.*

5. (§ 1e) The Commission should shoulder greater responsibility for national audit authorities and for control systems in those Member States in which most errors were detected; is of the opinion that the Commission should draw up a proposal in how far the certification and work of audit authorities in those Member States could be further improved; believes that the Commission should publish its findings, and integrate them into the midterm-review of relevant regulations and the MFF.

**Commission's response:**

*The Commission will not be taking the requested action. The reason for this is that the Commission works within a legal framework which restricts the possibilities it has.*

*As regards cohesion policy, the Commission cannot agree to a formal certification of AAs even if it would consider the idea as acceptable in principle. The Commission is in a way "certifying" the quality, compliance and reliability of the AA work when it grants an article 73 letter, by far the main audit enquiry is about the review of the work of audit authorities which in itself is a building-capacity exercise. The Commission has made the same proposal for 2014-2020 (AA are not under the designation process, but are reviewed and supervised by the Commission which can decide to rely on them), but no systematic ex ante certification (revision of criteria for Commission to review the designation process for MA and CA on risk basis and only for programmes above EUR 250 million of EU allocation in Commission proposal for 2014-2020).*

*The management for the agricultural funds is shared with the MS as provided for in the financial regulation. It is therefore of fundamental importance that it is the MS who take the responsibility that their national management and control bodies can meet the strict accreditation criteria which are laid down by the Commission. Several proposals for the next programming period aim at improving the assurance about the quality of the controls carried out by the Member States and the accuracy of the data they provide the Commission on the outcome of the controls and the level of error. In the political agreement with the co-legislator on the main elements of the CAP reform, in particular the horizontal regulation, Article 7(5) of the latter provides that where an accredited paying agency does not meet or no longer meets one or more of the accreditation criteria the Member State, on its own initiative or at the request of the Commission, shall withdraw its accreditation unless the paying agency makes the necessary changes within a period to be determined according to the severity of the problem. Furthermore, Article 9 of the horizontal regulation provides for additional work on the part of the certification bodies (independent audit bodies) in order to give greater assurance on the quality of the control underlying the expenditure.*



### **Error rate in shared management**

6. (§ 1f) The Parliament calls on the Commission to harmonise the practice of its services concerning the interruption/suspension of payments when significant deficiencies are detected at the level of the supervisory and control systems of Member States.

**Commission's response:**

*The Commission is taking the requested actions. The information contained in various Commission reports shows that interruptions and suspensions are intensively used and it is the Commission's firm intention to continue to use all these tools. The Commission's actions in this regard have also been further harmonized in 2012, in particular in the area of Cohesion policy where both DG REGIO and EMPL now apply a fully aligned approach.*

*As regards interruptions and suspensions in agriculture, the political agreement with the co-legislators on the main elements of the CAP reform will bring about a further harmonization with the practices of other services. Specifically, Article 43 of the new horizontal regulation will enable the Commission to suspend payments when serious deficiencies are detected.*

7. (§ 1g) The Parliament calls on the Commission to urge Member States to communicate to its services the draft eligibility rules in order to adapt national eligibility rules which are not compatible with the relevant Union rules and to intensify the controls on the declaration of costs and the effectiveness of the first-level checks.

**Commission's response:**

*The Commission will not be taking the requested action. The reason for this is that the purpose of defining rules at national level in the current programming period - as agreed by the legislative authority - is to allow MS to use the same national, regional and local rules for both purely national schemes or EU funded projects, thus avoiding additional complexity and addressing the criticism that EU rules were not familiar to the MS administrations in charge of EU programmes.*

*However, the Commission takes the necessary action when it detects national eligibility rules that are either too complex or not compliant with EU regulations. For instance, as regards the ESF, progress is being made on spreading the use of simplified cost options with a view to replacing in full or in part detailed and sometimes burdensome national eligibility rules. These simplified cost options are promoted for the ERDF co-funded programmes as well, when appropriate.*

8. (§ 1h) The Parliament calls on the Commission to collect information from Member States concerning the degree to which national rules render Union legislation on budget management terms unnecessarily complicated ('gold-plating') and report to Parliament by October 2013; recalls that an infringement of those national rules represents an error in budget management and that the Commission is ultimately responsible for errors in implementing the Union budget (Article 317 TFEU); requests that this information is sent to the national parliaments once a year and that Parliament's Committee on Budgetary Control is duly informed.

**Commission's response:**

*The Commission shares the concerns regarding the so-called "gold-plating effect", which significantly contributed to the 2011 error rate. However, this is relevant in particular for the ESF since the ERDF and the Cohesion Fund are more affected by infringement of public procurement rules. Therefore, the Commission will present a report to the Discharge Authority on gold plating in ESF programmes in October 2013. To limit as far as possible the effect of "gold-plating", the Commission proposals for 2014-2020 include a clear requirement for all MS to reduce administrative burden for the beneficiaries.*

*Concerning Cohesion policy in general, the Commission is discussing bilaterally with MS ways of improvement both in the course of implementing the 2007-2013 programmes and during the preparation for the 2014-2020 programmes, when it detected unnecessarily complicated administrative rules for beneficiaries. The Commission will continue working bilaterally with Member States to seek possibilities to apply more systematically simplified cost options.*

*Concerning the rural development legal framework, the Commission has made specific proposals according to which MS would be required to ensure that all the rural development measures they intend to implement are verifiable and controllable. Commission will raise the awareness of Member States as regards "gold plating" in the framework of the actions to reduce the error rate in rural development. This proposal could be amended by the co-legislators to require Member States to ensure that measures are designed in a way that does not create undue risk of errors.*

*The Commission is ready to inform the Parliament on its endeavours, together with Member States, to push the use of simplified cost options ahead and to reduce the occurrence of "gold plating". It is important that, when identified, "gold plating" is addressed.*

*However, a general reporting to the Parliament can only be based on a systematic review of national eligibility rules in force at national, regional or even local level. Such exercise would take valuable resources away from audit and sound financial management of OP's. Therefore, the Commission prefers to work closely together with Member States to advance the use of simplified cost options, which would have the same effect as well as additional positive impacts (for example reduced administrative burden for beneficiaries).*

*MS should inform their National Parliaments. Therefore, the Commission will not be taking the requested action related to the last part of the recommendation ("requests that this information is sent to the national parliaments once a year and that Parliament's Committee on Budgetary Control is duly informed").*

9. (§ 1i) The Parliament calls on the Commission to support the management and control authorities of the Member States in identifying the systemic sources of errors and in particular in ensuring compliant implementation of public procurement rules and give guidance in the form of motivated opinions to those authorities in their simplification efforts; those opinions will be made public.

**Commission's response:**

*The Commission has taken the requested action and reported in the 2012 AARs of the respective DGs. It has made and continues to make considerable efforts to*

*ensure strict compliance with eligibility requirements and the correct application of public procurement rules, through training and guidance on eligibility rules to programme managing authorities to ensure they transmit this knowledge to all bodies in charge of managing the funds. Moreover, when it identifies complex rules at programme level, the Commission makes recommendations to simplify them. It has also shared with Member States an analysis of the types of procurement errors detected by EU audits in cohesion policy during previous years and has launched an exercise to collect best practices and possible answers by Member States to remedy such errors and reduce their occurrence.*

*The Commission verifies compliance with EU and national eligibility requirements and with public procurement rules through its extensive audit work. It has an audit strategy in place covering all structural fund instruments, which is updated annually. For the 2007-2013 programming period, the control strategy contributing to the assurance building is implemented through the following various strands of controls foreseen in the regulatory framework.*

*Transparency is already ensured through AARs where the Commission discloses all problems and its assurance per Member State.*

*Furthermore, regarding simplified cost options, and in particular flat rates, the Commission provides a Member State, on request, with an agreement to the proposed method, or observation on how to obtain this agreement. However, given the technical nature of these exchanges, the Commission does not see the value added of making them public.*

*As regards rural development, a large exercise, conducted by DG AGRI already in 2012, led to a list of root causes of errors and possible corrective actions which was discussed with all Member States at different levels.*

*For 2013, DG AGRI has started a new comprehensive initiative with all Member States which concerns the following elements: Analysis, corrective actions, preventive actions. The Commission has sent by the end of June 2013 a report to Council and Parliament which also covers these activities.*

*Under shared management, it is the Member States' responsibility to set up the control systems in accordance with the EU legislation and their own particular national administration systems. The Commission provides guidance and assistance to Member States in this respect, but cannot provide a formal ex-ante approval.*

10. (§ 1j) The Parliament calls on the Commission to apply the principle of proportionality, without underestimating the rules to reduce administrative burdens and facilitate streamlining of procedures; notes that an additional step towards simplification is the obligatory use of the electronic project application and reporting, as well as the unification and standardisation of documents and procedures for management and implementation of the operational programmes.

**Commission's response:**

*The Commission is taking the requested action and proposed in the area of cohesion policy and rural development the use electronic applications in the next programming period. However, the Commission will not unify/standardise procedures and documents, since this affects the internal organisation of the MS*

*administration. The regulation provides for key designation criteria and key requirements for the management and control procedures.*

11. (§ 1k) The Parliament calls on the Commission to harmonise the criteria used by its services for making reservations in its annual activity report and the different methodologies used to quantify public procurement errors in the two policy areas of agriculture and cohesion policy.

**Commission's response:**

*The Commission is taking the requested action. It shares and supports the call for greater coherence. As a follow-up to the 2010 discharge, DG REGIO launched an exercise to update the existing quantification used by the Cohesion Policy services for irregularities linked to public procurement issues. The aim is to prepare a decision - to be adopted by the Commission - for all shared management services and possibly other services as well. This exercise is on-going and the Commission should be in a position to adopt this decision in the second half of 2013. In addition, in November 2012, the Commission horizontal services updated their internal guidance for the determination of error rates and the criteria on whether to qualify the declaration of assurance with a reservation in the case of errors linked to public procurement procedures. This guidance, which took into account the changes in methodology introduced by the Court, was aimed at ensuring transparency and comparability as well as at producing a realistic calculation of the actual financial exposure while adequately considering the possible reputational impact of serious procedural errors. This guidance was applied by the Commission DGs for the first time in their AARs for 2012. The Commission will reassess the need for revising its guidance with the closure of the 2012 reporting cycle.*

12. (§ 1l) The Parliament calls on the Commission to speed up the audit and financial correction procedures followed by its own services and in particular, consider merging the different stages of the 'contradictory' procedure leading to a financial correction.

**Commission's response:**

*The Commission has taken the requested action which is already the current practice since 2012 in the Cohesion Policy area. This concerns in particular the closure of contradictory procedures earlier than planned, enabling about 100 operational programmes to be timely closed for launching the financial correction procedure still in 2012. The details of this new approach have been provided in the 2012 AARs of the Services concerned. Other policy areas will follow but for the next financial period where sector-related legislation is not yet finally approved.*

*Concerning agriculture, fully merging the different stages of the procedure would not be compatible with the Member States' right within the existing contradictory procedure (as agreed in the political agreement with the co-legislator on the main elements of the CAP reform, in particular for a horizontal regulation). The Commission will consider other procedural changes which might speed up the procedure (notably stricter deadlines for each step of the procedure).*

13. (§ 1m) The Parliament calls on the Commission to evaluate the progress made in the financial management under the policy groups of the budget of the Union with a view to arriving at a positive statement of assurance and to report about this



evaluation by March 2014 in the context of the annual activity reports drafted by the Directors-General and the Synthesis report on the Commission's management achievements for 2013.

**Commission's response:**

*The Commission will evaluate the progress made and report on this in the annual activity reports and the synthesis report for 2013.*

14. (§ 1n) DG AGRI should align its practices for the interruption of payments with the best practices of other directorates-general or services as well as put forward proposals for enhanced application and use of suspensions in the policy area of agriculture and rural development.

**Commission's response:**

*Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies in the functioning of the management and control system.*

*However, a full harmonisation of interruption and suspension activities across all policy areas is not possible under the current legal framework.*

*For the new programming period 2014-2020, the Commission's proposal for common provisions for the Structural Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development (See Article 74 of COM(2011) 615 final).*

*Furthermore, the Commission fully supports the EP amendment of Article 43 of the Commission proposal for the horizontal regulation, which is currently under consideration in Council and Parliament and would allow the Commission to suspend payments when serious deficiencies are detected and no remedial actions are implemented. Depending on the outcome of the CAP reform process these new rules would apply from 1 January 2014.*

15. (§ 1o) Taking into account the legal framework, DG AGRI should systematically interrupt and suspend payments when the prime level controls reveal that they are materially affected by error; the payments should be resumed only if sufficient appropriate evidence gathered on the spot proves that the weaknesses have been remedied.

**Commission's response:**

*Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies in the functioning of the management and control system.*

*However, a full harmonisation of interruption and suspension activities across all policy areas is not possible under the current legal framework.*

*For the new programming period 2014-2020, the Commission's proposal for common provisions for the Structural Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development (See Article 74 of COM(2011) 615 final).*

*Furthermore, the Commission fully supports the EP's amendment of Article 43 of the Commission proposal for the horizontal regulation, which is currently under consideration in Council and Parliament and would allow the Commission to suspend payments when serious deficiencies are detected and no remedial actions are implemented. Depending on the outcome of the CAP reform process these new rules would apply from 1 January 2014.*

16. (§ 1p) The Commission should report by the end of June 2013 on the progress made by the working group set up by DG AGRI to assess the root causes of Rural Development errors and develop corrective action for the current and future programming periods; that report should be sent to the Member States, national parliaments and Parliament's Committee on Agriculture and Rural Development so that they can analyse the causes of errors, deliver non-binding opinions and submit proposals for countering those errors.

**Commission's response:**

*A Commission staff working document on the assessment of root causes of errors in the implementation of rural development policy and corrective actions (SWD(2013)244) was transmitted to the EP and Council on 27 June 2013. Some Member States (Portugal, Spain, Bulgaria and Italy) have already amended their rural development programmes in to reduce the risk of errors in implementation.*

17. (§ 1q) DG AGRI should take all necessary measures to support the Member States' efforts to eliminate from their programmes those conditions that are intrinsically prone to creating implementation and control difficulties.

**Commission's response:**

*Commission services have been co-operating with the Member States in order to address the root problems causing these errors. Each time that audits have identified related difficulties, the services in charge of the rural development programme concerned have invited the respective Member State to take corrective actions, including modifying the programme. In this context and since 2001, DG Agriculture has followed 322 audit findings, which led to 23 RDP modifications.*

*For the next programming period, the Commission intends to approve only Rural Development programmes where the design of the measures does not create undue risk of error. Member States are encouraged to establish their draft programmes in such a way that measures are clear, verifiable and controllable. Article 69 of the draft regulation for rural development in the period 2014-2020 establishes that Paying Agencies must undertake ex ante assessments of all the measures, from the controllability and verifiability perspective. To support Member States in this endeavour, the Commission has started establishing guidelines for programming.*

18. (§ 1r) The Commission should maintain its original proposals for the general provisions of the 2014-2020 programming period in cohesion policy and should insist, vis-à-vis the Member States, on the absolute need to introduce in the new legislation the principles of net financial corrections as well as streamlined procedures and conditions under which payments can be interrupted or suspended.

**Commission's response:**

*The Commission is taking the requested action and confirms that it will continue to defend its proposal as regards net financial corrections as well as streamlined*

***procedures and conditions under which payments can be interrupted or suspended during the legislative process.***

19. (§ 1s) The Commission should also use, as far as possible, net financial corrections to correct serious errors in the current programming period pursuant to Article 99 et seq. of Council Regulation (EC) No 1083/2006; in particular net financial corrections should be applied at the closure of the programming period.

**Commission's response:**

***The Commission is taking the requested action. However, it cannot impose net corrections when the Member States have the regulatory option to accept a correction and reuse the amounts (Art. 98 of Regulation (EC) No 1083/2006). At closure, it will apply financial corrections on the remaining material errors, individual and systemic, after all corrections already implemented by the Member States authorities either on own initiative or at the Commission's request have been deducted. Additional corrections will also be applied when they did not contribute to lasting improvements of the management and control systems up to closure. Financial corrections at closure can be net.***

20. (§ 1t) The Commission should defend its initial position not to allow the secondary selection of projects physically completed or fully implemented before the funding application (so-called 'retrospective projects') for the funding period 2014-2020.

**Commission's response:**

***The Commission is taking the requested action and confirms that it will continue to defend its proposal as regards "retrospective projects" during the legislative process.***

21. (§ 1u) DG REGIO should fully align its payment practices with the best practices of other directorates-general or services, and continue making direct and full use of the legal instruments provided for by the regulations, especially the interruption of payments or whenever necessary by the suspension of operational programmes.

**Commission's response:**

***The Commission has taken the requested action. The information contained in various Commission reports shows that interruptions and suspensions are intensively used and it is the Commission's firm intention to continue to use all these tools. The Commission's actions in this regard have also been further harmonized in 2012, in particular in the area of Cohesion policy where both DG REGIO and EMPL now apply a fully aligned approach.***

22. (§ 1v) The Parliament calls for more stringent monitoring and conditions in the case of Member States which manifestly breach Union provisions on budgetary and competition law (particularly with regard to the award of public contracts); calls for systematic suspension of payments for the relevant Structural Fund programmes where Union law is breached until rules are complied with, so that use of the funds in accordance with Union rules is guaranteed.

**Commission's response:**

***The Commission has taken the requested action. It fully uses interruptions and suspensions instruments as soon as irregularities are detected, leading to actions plans to correct past expenditure and to adapt management and control systems.***

*The Commission only resumes payments when it has a reasonable assurance that irregular expenditure have been corrected and that management and control systems are adapted. The respective DGs have reported on this in their 2012 AARs.*

23. (§ 1w) The Parliament calls for a tougher suspension policy for the European Regional Development Fund (ERDF) and Cohesion Fund (CF), like that already successfully applied to European Social Fund payments, thus enabling early action to prevent any improper use of Structural Fund monies and underpinning, from the outset, the zero-tolerance approach by the Commission.

**Commission's response:**

*The Commission has taken the requested action. The information contained in various Commission reports shows that interruptions and suspensions are intensively used and it is the Commission's firm intention to continue to use all these tools. The Commission's actions in this regard have also been further harmonized in 2012, in particular in the area of Cohesion policy where both DG REGIO and EMPL now apply a fully aligned approach.*

24. (§ 1x) DG REGIO should systematically interrupt the payments and suspend the programmes when the prime level controls reveal that they are materially affected by error; the payments should be resumed only if there is sufficient and reliable evidence that weaknesses have been remedied.

**Commission's response:**

*The Commission has taken the requested action. It fully uses interruptions and suspensions instruments as soon as irregularities are detected, leading to actions plans to correct past expenditure and to adapt management and control systems. The Commission only resumes payments when it has a reasonable assurance that irregular expenditure have been corrected and that management and control systems are adapted. DG REGIO has reported on this in its 2012 AARs.*

**Error rate in centralised management**

25. (§ 1y) By the end of June 2013, the Commission (DG Research) should present a report to Parliament assessing the impact of the simplification measures introduced in 2011.

**Commission's response:**

*The Commission presented to the European Parliament the report on the impact of the simplification measures introduced in 2011 (Ares(2013)2634919).*

26. (§ 1z) That report should also assess the improvements announced by the Commission in respect of the ex ante control and the ex post audit strategies and of the improvement in the guidance on the most common errors given to participants in the Seventh Framework Research Programme and to auditors.

**Commission's response:**

*The Commission presented to the European Parliament the report on the progress of Commission's ex ante control, ex post audit strategy and on the guidance on the most common errors to auditors and participants in the Seventh Framework Research Programme (Ares(2013)2634919).*



27. (§ 1aa) In that report, the Commission should explain whether the measures taken to reduce the audit burden, generated by the fact that seven Authorising Officers by Delegation are responsible for the Research budget, have been effective and, if not, propose other solutions.

**Commission's response:**

*See response to § 1z.*

***Evaluation report (Article 318 TFEU) and enhanced use of performance audits***

28. (§ 1ab) The Commission services should develop a new culture of performance, defining in their management plan a number of targets and indicators meeting the requirements of the Court of Auditors in terms of relevance, comparability and reliability; furthermore performance indicators and targets should be fully integrated in all proposals for new policies and programmes.

**Commission's response:**

*a) The Commission will present an action plan as part of the 2013 evaluation report. This action plan will foresee that DG's report back on the performance audits performed by external and internal auditors.*

*b) Elements of progress and performance management will be included in the Management Plans for 2014: setting objectives, performance indicators and associated targets per programme, evaluations planned.*

*c) Reporting will be deepened in the Annual Activity Reports on how the financial and human resources have been used to achieve the policy objectives set by the College, and on progress and how these policies have generated EU added value.*

*d) The peer-review process on the Annual Activity Reports will be strengthened by including increased focus on the performance information included in these reports. Consistency will be improved between Evaluation report and Annual Activity Reports.*

29. (§ 1ac) The Parliament asks the Commission to take full account of the remarks and requests formulated in the 'Response of the European Court of Auditors to the Commission's second Article 318 evaluation report'.

**Commission's response:**

*The Commission reiterates its intention to redesign and improve the report in the future in discussion with the Discharge Authority.*

*The Commission equally points out that this could only be achieved under the new performance framework which will be based on the legislative proposals which have yet to be adopted by the Legislative authority.*

*Account has been taken of the indications provided by the Court in the preparation of this year's evaluation report to the extent possible within the existing framework of the MFF 2007-13. This report has been adopted on 26 June 2013.*

30. (§ 1ad) The Parliament calls on the Commission, until the midterm review in the various areas of policy and programmes, to propose a clear definition of European added value; calls for a review of the programmes with the aim of avoiding national and regional displacement effects and genuinely only financing measures which could not be carried out without impetus from the Union.

**Commission's response:**

*a) The Commission has already proposed a clear definition of EU-added value which has been used as a basis for the proposals it made for the next generation of programmes under the MFF 2014-2020. See report on the added value of EU spending (SEC(2011)867).*

*b) Most of the new programmes contain a mid-term review. The Commission confirms that programmes should be developed in such a way that displacement effects are avoided.*

31. (§ 1ae) In their annual activity reports, the services should measure their performance in summarising the results achieved when contributing to the main policies pursued by the Commission; this "departmental" performance will be complemented by a global evaluation of the performance of the Commission in the evaluation report provided for by Article 318 TFEU.

**Commission's response:**

*In its evaluation report for the financial year 2012, the Commission has presented an action plan for the future development of future evaluation reports.*

*The Commission Central services will*

*\* deepen the performance framework that should underpin all future AARs. Such a framework consists of a performance-driven culture throughout the organisation, ex-ante setting of objectives, regular monitoring, ex-post measurement and reporting of achievements.*

*\* review the 2013 AAR Standing Instructions and guidelines with a view of including the elements of performance reporting; and*

*\* develop further the content and coverage of the evaluation report, for example by using more performance information and by ensuring consistency between the evaluation report and the AARs.*

32. (§ 1af) The Commission should modify the structure of the abovementioned evaluation report, distinguishing the internal policies from the external ones and focussing, within the section relating to internal policies, on the Europe 2020 strategy as being the economic and social policy of the Union; the Commission should place the emphasis on the progress made in the achievement of the flagship initiatives.

**Commission's response:**

*The Commission included in its proposals for the new generation of programmes several elements aimed at delivering a stronger performance framework, which would be more focused on efficiency and effectiveness in the attainment of the overall objectives of the different financial programmes. The Commission relies on Parliament and Council as co-legislators to ensure that the new multi-annual financial framework contains the simpler, stronger framework proposed by the Commission.*

*The next multi-annual framework also provides the opportunity for stronger monitoring and evaluation arrangements to feed better reporting. The Commission will report on progress in achieving the objectives of the financial programmes which are designed to contribute to the achievement of EU 2020 targets. This*

*reporting should continue to follow the structure of the different budget headings, thereby covering the internal and external policies and actions.*

33. (§ 1ag) The Parliament expects that in the framework of a new and enhanced policy on performance, all evaluation reports done or paid for by the Commission will be made available in full to Parliament, which may decide to make them available on its website for consultation.

**Commission's response:**

*In line with the existing evaluation standard, evaluation results must be made publicly available and targeted summary information should be prepared to facilitate communication to the general public. This applies unless there is a justification not to publish the results under Regulation 1049/2001 regarding public access to European Parliament, Council and Commission documents.*

*The Art 318 report contains a list of evaluations providing hyperlinks to the documents.*

**Revenues and traditional own resources**

34. (§ 1ah) In order to ensure proper protection of the Union's financial interests, and with a view to equipping the Union with sufficient own resources for growth, the Commission should provide Parliament, in time for the 2012 discharge procedure with an evaluation of the cost of postponing the full application of the Modernised Customs Code (MCC), which would quantify the budgetary consequences of such postponement.

**Commission's response:**

*Mr Šemeta replied positively to that request, as mentioned earlier (PA n°4: reply available at <http://www.europarl.europa.eu/document/activities/cont/201302/20130225ATT61662/20130225ATT61662EN.pdf>) and provided the Parliament with a reply concerning an estimate of the costs related to postponing the full application of the Modernised Customs Code (see Letter of 12/04/2013).*

35. (§ 1ai) The Commission should collect reliable data on the customs and VAT gap in the Member States and report every six months to Parliament in this regard.

**Commission's response:**

*While the Commission cannot accept all aspects of this request, it can however act upon certain aspects: No specific study on the customs gap made by the Commission. The Commission however cooperates in the ongoing study launched by the EP. (See Mr Šemeta's) reply mentioned earlier (PA n°4).*

*The study on the estimation of the VAT gap will be updated and made available by 30 October 2013 at the latest to the other European Institutions. It is the Commission's intention through this update to publish a new estimate of the VAT gap for all 27 Member States following the same approach as in 2009, that is to say by comparing accrued VAT receipts with a theoretical net VAT liability for the economy as a whole.*

*It is the intention of the Commission - if resources allow - to update this estimation on a regular basis.*

36. (§ 1aj) The Commission should identify and implement actions which would increase the effectiveness and efficiency of the collection of customs duties and VAT in the Member States; the Commission and the Member States should implement the Court of Auditors' recommendation in the Special Report No 13/2011.

**Commission's response:**

*Implementation of tax or customs collection is a national competence and the Commission is not in the position to present an action plan. Nevertheless, as pointed out before, the Commission is providing technical assistance to certain Member States, targeting an increase in the efficiency of the tax administration and its tax collection capacities. This is an on-going activity. Furthermore, the Commission has adopted on 6 December 2012, a comprehensive and ambitious action plan on fighting tax fraud and tax evasion. A series of measures are proposed to better fight against tax fraud and evasion, including VAT fraud. The plan includes the Quick reaction Mechanism against VAT fraud that the Commission proposed in July 2012. It provides that Member States would be able to apply a "reverse charge mechanism" which makes the recipient of the goods or services liable for VAT in cases of massive and sudden fraud. This would significantly improve the Member States' capacity of effectively tackling complex fraud schemes, such as carousel fraud. Moreover, the action plan was accompanied by two recommendations to Member States which promote specific countermeasures to deal with aggressive tax planning and to treat the issue of tax havens.*

*As for VAT and customs duties, the Commission is thoroughly following up the recommendations made by the European Court of Auditors in the context of past and recent audits, in particular the European Court of Auditors Special Report No 13/2011 "Does the control of customs procedure 42 prevent and detect VAT evasion?". The Commission also put forward an ambitious proposal for a Directive on the fight against fraud to the EU's financial interests by means of criminal law (COM (2012)363). The new rules, when adopted, would harmonise and strengthen notably the protection of EU revenue. However, implementation of tax or customs collection is a national competence.*

37. (§ 1ak) The Commission should identify the channels and schemes allowing for tax evasion and tax avoidance, in particular by multinationals and through post box companies, and promote appropriate countermeasures; welcomes in this context the OECD report on tax base erosion and profit shifting and calls on the Commission to cooperate with the OECD who will establish an action plan on how to address this problem by July 2013.

**Commission's response:**

*On 6 December 2012, the Commission adopted a comprehensive and ambitious action plan on fighting tax fraud and tax evasion. A series of measures are proposed to better fight against tax fraud and evasion, including VAT fraud. Moreover, the action plan was accompanied by two recommendations to Member States which promote specific countermeasures to deal with aggressive tax planning and to treat the issue of tax havens.*

*The Commission cooperates with the OECD in the establishment of the action plan concerning the tax base erosion and profit shifting problem.*

38. (§ 1al) The Commission should raise the Member States' and public awareness, in the context of the negotiations on the Multiannual Financial Framework, that effective revenue collection remains an essential feature of sound management of public finances, including the fact that uncollected revenue aspects have an impact on the availability of the Union's own resources, the economic situation of the Member States and the internal market and commission a study which would calculate the potential financial benefits for the Member States in tax revenue terms if an equal level playing field against tax evasion and tax avoidance throughout the Union should be created.

**Commission's response:**

*As revenue collection impacts differently upon each own resource, ranging from no effect for GNI to a direct impact for traditional own resources (TOR), Commission action has varied. For TOR the Commission systematically draws Member States' attention to recovery issues and strengthens awareness by the application of the principle of financial responsibility where non-recovery is attributable to a Member State. For VAT, where by far the greater financial incentive arising from effective recovery of VAT accrues to Member States (for every euro collected a minimum of 97 cents goes to national budgets, with less than 3 cents for the EU), revenue collection has received due consideration in the negotiations on the multi-annual financial framework which have just been completed. With regard to the request for a study on the potential financial benefits, given the current state of data availability on this topic and the limitations of current methodologies, the results of such a study would be rather speculative. Nevertheless in the context of its annual report on 'Tax Reforms in the Member States', the European Commission is collecting all available international and national estimates of the shadow economy. On the basis of this work the Commission will decide how best to tackle the quantification of tax revenue losses. The Commission is currently finalising a study (commissioned to an external contractor) on the computation of the VAT gap (see the Commission's reply to §1ai).*

39. (§ 2) The Parliament calls on the Commission to take urgent measures to eliminate the possibilities of diverting thousands of billions of euros away from the normal financial circuit (of offshore financial activities) in order primarily to avoid tax and to hide illegal funds from the tax authorities in the Member States.

**Commission's response:**

*On 6 December 2012, the Commission adopted a comprehensive and ambitious action plan on fighting tax fraud and tax evasion. A series of measures are proposed to better fight against tax fraud and evasion, including VAT fraud. Moreover, the action plan was accompanied by two recommendations to Member States which promote specific countermeasures to deal with aggressive tax planning and to treat the issue of tax havens.*

40. (§ 3) The Parliament strongly suggests that the Commission should take measures to ensure that all banking activities related to advising on, and setting up, offshore structures are made illegal and that no bank within the European Union involved in such activities will or can receive European funding under any scheme or benefit from national support measures.



**Commission's response:**

*Offshore structures can be set up for multiple reasons. A blanket approach to defining all services of setting up overseas structures as illegal would be problematic in the context of a free market economy. As a consequence the Commission would not envisage such measures. However, in the area of taxation in general, the Commission has already taken action in its Action Plan and associated recommendations of 6 December 2012 to promote co-ordinated action against tax fraud, evasion and tax avoidance.*

41. (§ 4) The Parliament expects to receive, within two months, draft legislative proposals from the Commission to end the practice of the use of tax havens by individuals, companies and even public institutions.

**Commission's response:**

*The Commission made relevant proposals (Action Plan and Recommendations, see COM(2012)722, C(2012)8805 and 8806) in December 2012 which it considers to be the appropriate mix of legislative and coordination initiatives to fight efficiently against tax fraud and evasion. This includes a Recommendation directed towards third countries not complying with good governance standards (tax havens). Possible further initiatives will be assessed in a later stage, where appropriate.*

*In making Recommendations rather than proposing legislation the Commission took into account the fact that Recommendations could produce quicker results as even if not all MS are supportive some can implement them. A legislative proposal requires unanimity and from experience once a legal proposal has been made MS tend to wait until Council has approved it by unanimity which could take some time.*

## Follow-up to the 2010 discharge resolution

42. (§ 6) The Parliament asks the Commission to clarify what percentage of the amounts of structural funds implemented through FEIs actually dispersed over the period 2007-2013 went to truly private enterprises, as opposed to majority publicly owned enterprises.

**Commission's response:**

*The Commission will not be taking the requested action. The report on progress made in financing and implementing financial engineering instruments, which is prepared by the Commission, is based on formal annual reporting from Member States. The scope of this reporting, which is set out in Article 67(2)(j) of Council Regulation (EC) No 1083/2006, is limited to certain type of data and does not contain information relating to the ownership of the final recipients.*

43. (§ 10) The Parliament calls on the Commission to take concrete steps to significantly improve the use of the FEIs with a view to better protecting the Union's financial interests.

**Commission's response:**

*The Commission is taking the requested action. To reinforce the principles of sound financial management, post 2013 cohesion policy will contain a number of safeguards as proposed by the Commission in the legislative package for 2014-2020. Ex-ante assessment of investment needs will be compulsory for each financial instrument. Moreover, in order to avoid over-allocation of EU resources, managing authorities will need to justify the level of the allocations made to financial instruments on the basis of assessed market failures and delivery capacity of the mechanism in place. Furthermore, post 2013 managing authorities must make phased payments to financial instruments in accordance with the actual investment progress at project level and anticipated capital requirements. Monitoring and reporting obligations concerning the use of cohesion policy resources in financial instruments will be clearly defined.*

44. (§ 11) The Parliament reiterates that Parliament invited the Commission to evaluate objectively and critically the experiences with FEIs in the Cohesion policy for the programming period 2007-2013, to provide a risk assessment considering different FEIs separately, as well as taking into account the risk structure of beneficiaries of the FEIs, and to report annually to Parliament, in time for the respective discharge procedure, on the use of FEIs in Member States, including comparable indicators on the effectiveness, efficiency and economy of FEIs, and also on how the Commission coordinates, ensures consistency and mitigates the risk of overlapping across the policy areas.

**Commission's response:**

*The Commission has taken the requested action. In 2012, the Commission carried out an evaluation through the expert evaluation network on the use of the ERDF to support FEIs. The report of this evaluation was transmitted to the EP in December 2012. In addition, in February 2012 the Commission published a Staff Working Document on financial instruments in cohesion policy, which analysed the experience of implementation of financial instruments in the current period, lessons learnt and proposed strengthening of the regulatory framework for post*

*2013. Regarding reporting in the current programming period, the amendment of Council Regulation (EC) No. 1083/2006 in December 2011 introduced an obligation for Member States to formally report on FEIs within the Annual Implementation Report. In 2012, the Commission produced on this basis a summary report (which was also transmitted to EP in December 2012). The risk assessment was made on the basis of the summary of data and the "underperforming" cases are being followed by the Commission services. The monitoring takes place also in regular monitoring committee meetings where the Managing Authorities responsible for operational programme discuss the progress of implementation of all relevant operations including financial engineering instruments.*

45. (§ 13) The Parliament calls on the Commission to further improve the quality and comparability of the annual activity reports.

**Commission's response:**

*The Commission Central services regularly review the reporting process, draw lessons to improve the value of these reports as instruments for management accountability and revise the AAR Standing Instructions and guidelines accordingly.*

*The Commission Central services also monitor the consistent implementation of the instructions of the DGs before the AAR are finalised, by reviewing and providing comments on the draft AARs.*

46. (§ 14) The Parliament asks the Commission to communicate which steps and measures it will take to ensure that the remaining 10 Member States will grant their permission to access Member States' annual summaries.

**Commission's response:**

*In the area of Structural funds all annual summaries for the financial years 2010 and 2011 have been transmitted to the Parliament.*

*However, the publication of the annual summaries shall comply with the rules laid down in Regulation (EC) No 1049/2001 of the EP and of the Council regarding public access to EP, Council and Commission documents, as well as in the Framework Agreement on relations between the EP and the European Commission (L 304/47 - Annex II; Forwarding of confidential information to Parliament, point 1.2.3). Therefore the information contained in these documents shall not be published or be made public without prior authorisation of the Member States. Nevertheless, the Commission will insist with the remaining Member States to get their permission in the future.*

47. (§ 15) The Parliament welcomes the new rules introduced in Financial Regulation (EU, Euratom) No 966/2012 about the regular clearing of pre-financing and encourages the Commission to continue its efforts to follow the recommendations of the Court of Auditors as regards the relevant accounting data and methods.

**Commission's response:**

*Guidelines were issued and there is continuous follow up as part of BUDG C2's day to day work.*



48. (§ 17) The Parliament calls on the Commission to investigate the possibilities of setting up a correctional system for error prone spending areas, in which the total material value of errors in year n will be partially or entirely deducted from the yearly reimbursement requests made by accrediting organizations depending on the severity of the irregularities.

**Commission's response:**

*The Commission has taken the requested action. For cohesion policy, it has proposed for the 2014-2020 period the retention of 10% on each payment claim and it has requested for annual accounts with corrections on all errors identified and net corrections for serious deficiencies detected by EU audits after submission of annual accounts.*

*For agriculture, net financial corrections are already systematically applied to the CAP expenditure where risks are detected.*

## The Court of Auditors' Statement of Assurance

49. (§ 34) The Parliament recalls that the most likely error rate for payments in the financial year 2010 was estimated at 3,7 % and in the financial year 2009 at 3,3 %; is dismayed about this increase because it reverses the positive trend observed in the years 2007, 2008 and 2009; calls on the Commission, therefore, to take the necessary steps to achieve a trend that shows a consistent decrease in the error rate.

### Commission's response:

*There has been a significant reduction in the error rate for the EU budget as a whole and the gap between the error rate and the materiality threshold applied by the Court of Auditors has been reduced significantly over the years. The Commission continues to make improvements to the financial management system of EU funds; these are mostly based on recommendations from the Court of Auditors in its Annual and Special Reports as well as on the follow up to European Parliament discharge resolutions and the Council discharge recommendations. Examples include the reinforced use of interruptions/suspensions of payments and of recoveries/financial corrections in order to protect the EU budget. In its legislative proposals for the Multiannual Financial Framework 2014-2020, the Commission has proposed further structural improvements through simplification, reinforcing the accountability of financial actors under shared management as well as the supervisory and control mechanisms. All of these proposals aim at further reducing the risk of errors.*

*It is important to note that the error rate presented by the Court of Auditors has to be put into perspective as it does not take into account all actions taken by the Commission to protect the EU budget: for example, in 2011, the Commission imposed financial corrections and recoveries amounting to 1,84 billion euros which represents 1,4% of the payments made in 2011. The Commission will therefore further use the preventive and corrective capacity of supervisory and control systems efficiently and effectively to its full extend. To strengthen the Commission's preventive actions, the application of interruptions and suspensions has been further harmonized in 2012, in particular in the area of Cohesion policy.*

*The Commission will provide the Parliament with a new report on the protection of the EU budget to give a more detailed insight into the performance of its multi-annual preventive and corrective systems.*

## Horizontal issues

50. (§ 45) The Parliament expects the future regulation covering the structural instruments to ensure that Member States provide the data on the final beneficiaries of ERDF/CF funds to be published on the Commission's official website in one of the three working languages of the Union and based on a set of common criteria to allow comparison and detection of error.

**Commission's response:**

*The Commission is taking the requested action. In its draft proposal for the new general Cohesion policy regulation 2014-2020, it has proposed a common set of criteria, data formats (only CSV and XML) and data fields for the list of operations, which will ensure full transparency, because the data can be exported, grouped, ranked, sorted, etc. – see Annex V (1) of the general regulation. Moreover, the Commission proposal foresees that the headings of the data fields and the name of the operations in the list of operations will be provided in at least one other official EU language than that of the given Member State.*

51. (§ 46) The Parliament calls on the Commission to apply the method of trend analysis to identify financial risks and to take measures to improve Member States' administrative performance in the field of revenue and expenditure in shared management, especially related to detecting irregularities, fraud and errors and financial follow-up in both the customs field and spending of Union funds.

**Commission's response:**

*The Commission will not be taking the requested action. In the field of Cohesion policy, the effective functioning of management and control systems of the Member States is verified by the Commission according to art. 71 (compliance assessment) and 72 (on the spot audits) of Regulation (EC) No. 1083/2006. Legal proceedings such as interruptions, suspensions and financial corrections must be supported by audit evidence.*

*It is unclear what is meant by trend analysis and at what level it should be applied, keeping in mind that the current legal framework does not give the possibility to apply such methodology to the management of Structural Funds. The Commission does however point out that it has started with a practice called "data mining" which will increasingly allow to detect high risk domains of support.*

*The AARs provide each year full detail about the actions undertaken by the Commission where the management and control systems have been considered less than satisfactory. This is done in the form of reserves, but also through the reporting on warning letters, interruption of payments decisions, and suspension of payments decisions adopted by the Commission. The Commission imposes, in this context, regularly Action Plans on Member States with a view to addressing the issues identified by audits.*

52. (§ 49) The Parliament calls on the Commission to assist the Member States in providing voluntary management declarations as referred to in Article 59(5) of the new Financial Regulation (EU, Euratom) No 966/2012 by promoting best practices; insists that Parliament should receive both the management declarations and the voluntary declarations.

**Commission's response:**

*The Commission has assisted Member States by issuing guidelines which identify the elements which would add value to the existing political national declarations (SEC(2011) 250). Furthermore, these elements have been taken into account for the definition of the content of the mandatory management declarations in the new Financial Regulation.*

*It should be noted that the new Financial Regulation introduces a reinforced mandatory reporting for the Member States. This includes the accounts accompanied by a management declaration and a summary of final audit reports and of controls carried out. The requirements on the content of the summary report have in addition been enhanced in the new Regulation; the report should include an analysis of the nature and extent of errors and weaknesses identified in the systems, as well as corrective action taken or planned. These documents will furthermore also be subject to an independent audit opinion. The Commission considers that this new system will provide the Commission with substantial additional assurance as to the use of EU funds by Member States and contribute to a more effective reporting by the Member States.*

*The Commission is of the view that, as these reinforced reporting system is introduced and effectively implemented, the conditions would be set for further promoting the issuance of political national declarations. This approach would allow concentrating first on the removal of any technical difficulties which may be used as a pretext to prevent the introduction of political declarations. The issue of national declarations is currently also formally being discussed in the framework of the inter-institutional negotiations of the MFF and the Inter-Institutional agreement.*

*On the transmission of these documents to Parliament and in accordance with article 59(5) of the Financial Regulation, it is for each Member State to decide whether the management and voluntary, national declarations should be published. Mandatory publishing of management declarations is not proposed by the Commission as it may risk undermining the value of these declarations as effective accountability instruments. In addition this would entail a large administrative burden (currently 317 ERDF/CF programmes) and it would not be reasonable to request translation of these documents (cf. EP request on annual summaries). It should be taken into consideration that the overall assessments of all the available information received from the Member States will in any case be presented in a synthesised form in the Annual Activity Reports of the concerned Commission Services.*

53. (§ 50) The Parliament notes that the Commission should give guidance to Member States to draft meaningful annual summaries; notes that for this purpose, information given on operational programmes under shared management should be standardised as regards form and content; annual summaries should be put at the disposal of Parliament and should not only be made available in the language of the Member State, thus increasing transparency and accountability.

**Commission's response:**

*Guidelines on the form and content of the summaries have been provided to Member States in 2010, including a template. The Commission notes that, in terms of assurance, Annual Control Reports and audit opinions by audit authorities*

*provide the basis for the AAR assurance and more detailed information than the annual summaries. The Commission therefore considers that the added value of the summaries is limited, as shown by an external study which was communicated in May 2011 to the EP (Ares(2011)505770).*

*In the area of Structural funds all annual summaries for the financial year 2010 have been submitted to the Parliament in the original language. Requesting the MS to transmit their AS in another language than theirs would affect current regulatory provisions on the use of languages by Member States (Regulation 1, article 2). However, even if the EP has also a translation service, and taking duly the principles of proportionality and cost-effectiveness into account, the Commission is committed to provide translation by DGT of the most important elements of those summaries into English provided that there are no confidential information in them that would preclude their translation being externalised by DGT and that sufficient time is allotted for the task. Given the current resources situation, DGT would have to re-invoice the requesting DG for the costs incurred for these translations. If possible, the annual summaries in German and French should not be subject to any translation.*

54. (§ 51) The Parliament reiterates its request that the Commission should analyse the strengths and weaknesses of national control systems on the basis of the annual summaries received; and demands that the Commission take immediate action to ensure that the next annual summaries are useful for assessing the performance of beneficiaries.

**Commission's response:**

*The Commission notes that, in terms of assurance, Annual Control Reports and audit opinions by audit authorities provide the basis for the AAR assurance and more detailed information than annual summaries. The Commission therefore considers that the added value of the summaries is limited, as shown by an external study which was communicated in May 2011 to the EP (Ares(2011)505770).*

*Annual summaries do not assess the performance of beneficiaries but provide a summary of controls over the programme in the previous year (information more easily accessible in the audit opinion in the annual control reports).*

55. (§ 53) The Parliament calls on the Member States to issue national management declarations at the appropriate political level and asks the Commission to establish a template for such a declaration.

**Commission's response:**

*The Commission has assisted Member States by issuing guidelines which identify the elements which would add value to the existing political national declarations (SEC(2011) 250). Furthermore, these elements have been taken into account for the definition of the content of the mandatory management declarations in the new Financial Regulation, which will apply to commitments as from 1.1.2014.*

*It should be noted that the new Financial Regulation introduces a reinforced mandatory reporting for the Member States. This includes the accounts accompanied by a management declaration and a summary of final audit reports and of controls carried out. The requirements on the content of the summary*



*report have in addition been enhanced in the new Regulation; the report should include an analysis of the nature and extent of errors and weaknesses identified in the systems, as well as corrective action taken or planned. These documents will furthermore also be subject to an independent audit opinion. The Commission considers that this new system will provide the Commission with substantial additional assurance as to the use of EU funds by Member States and contribute to a more effective reporting by the Member States.*

*In the context of the MFF agreement between the Council and the EP, the Commission presented a declaration stating that it is prepared to examine the request to establish a template for national management declarations to be issued by MS at the appropriate political level and is willing to invite both institutions to participate in a working group with a view to issue recommendations by the end of this year.*

56. (§ 54) The Parliament calls on the Commission to establish in the short term, in cooperation with Member States, a model for national management declarations which will make them meaningful and comparable; calls on the Commission to openly provide its opinion on those declarations; takes the view that such declarations should, inter alia, certify criteria (such as true and fair accounts, the effectiveness of management and control systems and the legality and regularity of underlying transactions) and specify the scope of assurance reservations and disclaimers.

**Commission's response:**

*With regarding the model for national declarations: See reply to § 53.*

*Regarding the request that the COM should provide an opinion on national declarations it should be noted that this is already done in the AAR for each of the 4 MS who submitted a declaration under 2007-2013 (see page 84-85 of REGIO AAR 2011 and 49 of EMPL AAR). However in the Commission's view the AAR should provide a clear situation per MS not per single national declaration, as publishing a Commission opinion for each MS and declaration would go too far.*

57. (§ 54) The Parliament asks the Commission to present proposals for decreasing the burden of controls for those Member States or regions that perform consistently well, according to the annual reports of the Court of Auditors and to their own national management declarations; is of the opinion that the Court of Auditors and the Commission should be able to take account of the substance of national management declarations in their audit work.

**Commission's response:**

*The Commission considers that it has already taken action in this direction by the implementation of article 73 (reliance on MS audit work by the Commission). So far reliance has formally been placed on 15 Audit Authorities covering more than 96% of ERDF/CF allocations (51 programmes), and 9 ESF Audit Authorities (covering 10 programmes) thus limiting the audit work of the Commission on these 61 programmes and focussing instead on risks in other programmes ("differentiated approach" based on risk).*

*Reducing the burden of controls should not only be based on the ECA annual report and the national declarations of the MS. The annual report of the ECA does not provide an opinion per Member State and moreover not all Member States are*

*covered in the ECA's sample each year. In consequence, other sources of assurance need also to be taken account of notably the Commission's own audit work and the audit work of the audit authorities in the Member States.*

58. (§ 59) The Parliament regrets that the Court of Auditors found weaknesses in the instructions and their implementation, in particular as regards the residual error rate; urges the Commission, as a result of this, to adapt its guidance as an immediate priority.

**Commission's response:**

*The standing instructions for the preparation of the Annual Activity Reports for 2012 have been improved regarding better consistency in the use of terminology, in the presentation of error rates, in the calculation of the amount at risk and the application of materiality criteria as well as the use of the best reliable information available in the shared management area.*

59. (§ 61) The Parliament encourages the Commission to make progress in disclosing more precise and reliable data concerning recoveries and financial corrections and to present information reconciling as far as possible the year in which payment is made, the year in which the related error is detected and the year in which recoveries or financial corrections are disclosed in the notes to the accounts.

**Commission's response:**

*The relevant note in the 2012 EU annual accounts has been updated and now includes information on the corrections implemented by Member States themselves. A reconciliation is made with the programming period due to the multi-annual nature of the expenditure concerned.*

60. (§ 63) The Parliament calls on the Commission to extend the practice of reporting on financial corrections in 2000-2006 to the other policies managed by multiannual programmes.

**Commission's response:**

*The relevant note in the 2012 EU annual accounts includes information on all areas of EU spending.*

61. (§ 64) Recommends, in accordance with the view expressed by the Court of Auditors, that a clear link be established between amounts included in annual activity reports, in particular for establishing the residual error rate, and information on recoveries/financial corrections presented in the accounts.

**Commission's response:**

*A clear link has been established between amounts included in annual activity reports, in particular for establishing the residual error rate, and information on recoveries/financial corrections presented in the accounts. Detailed information appears on these points in the 2012 Annual Activity Reports and in the 2012 Synthesis Report. As from September 2013, the Commission will prepare a user-friendly presentation of the amounts recovered through financial corrections and recoveries in the course of the preceding year. The presentation of the information offered in the AARs will be aligned with this presentation to establishing this link more clearly.*

62. (§ 66) Suggests to the Commission that it should request its Directors-General to systematically gather an overview of the corrections of errors and irregularities and publish them in their annual activity reports.

**Commission's response:**

*The Commission is already reporting systematically on corrections of errors and irregularities in the respective annual activity reports. As from September 2013, the Commission will prepare a user-friendly presentation of the amounts recovered through financial corrections and recoveries in the course of the preceding year. The presentation of the information reported by the Director-Generals in the AARs will be aligned with this presentation.*

63. (§ 67) The Parliament calls on the Commission to issue in time for the respective discharge procedure annual communications to Parliament, the Council and the Court of Auditors listing, by country and programme, financial corrections and recoveries collected, in order to demonstrate its performance in the protection of the Union's budget; calls on the Commission, on this basis, to draw up a performance ranking.

**Commission's response:**

*The Communication will be issued in September 2013.*

64. (§ 68) The Parliament calls on the Commission to make annually public in a communication all the amounts corrected the preceding year through financial corrections and recoveries for all management modes at the level of the Union and by the Member States.

**Commission's response:**

*This will be included in the Commission Communication of September 2013.*

65. (§ 69) The Parliament is worried that the Commission itself confirms in the said Note 6 the assessment made by the Court of Auditors on the lack of reliability of supervisory and control systems of the Member States, and deeply regrets that this could affect the reliability of Commission management representations; calls on the Commission to ensure that data communicated by Member States are complete and fully reliable.

**Commission's response:**

*Improvements were noted during 2012 in the reliability of the figures reported by Member States. The relevant Commission services obtained reasonable assurance that a sample of Member States authorities audited have satisfactory arrangements for keeping an account of amounts to recover and for reporting them the Commission. Audits will continue in 2013 and beyond in other Member States.*

66. (§ 72) The Parliament consequently reiterates its previous demand that the Commission establish reliable and objective annual activity reports.

**Commission's response:**

*The Commission Central services regularly review the reporting process, draw lessons to improve the value of these reports as instruments for management accountability and revise the AAR Standing Instructions and guidelines accordingly.*



*The Commission Central services also monitor the consistent implementation of the instructions of the DGs before the AAR are finalised, by reviewing and providing comments on the draft AARs.*

67. (§ 75) The Parliament calls on the Member States and the Commission to urgently reinforce first-level checks to address unacceptably high level of mismanagement in the audited regional policy and ESF transactions.

**Commission's response:**

*The requested action has been taken. The Commission continues to remind Member States authorities that they should carry out proper and sufficient management verifications, before accepting and declaring expenditure submitted by beneficiaries. It also audits in priority programmes/areas where management verifications appear to be weak. Audit Authorities continuously review this key requirement in the systems through audits on statistical sample of operations each year. When serious deficiencies are detected, the Commission interrupts/suspends payments for Structural or Cohesion Funds and imposes financial corrections, when necessary.*

*However, administrative capacity in some Member States and/or programmes needs to be improved further, to make sure that Managing Authorities are adequately staffed or that they address the problems connected to the high turnover of staff in some administrations. But Member States also need to provide training at their turn at all administrative layers, in order to ensure that rules are properly known and implemented, particularly in case of staff turnover. To help them, DG REGIO has set-up in August 2012 a special competence centre for administrative capacity building.*

*The Commission will continue to verify the functioning of the management and control systems in the Member States through all audit results available at EU and national levels, including reported error rates, and to take action when necessary. In its 2012 AAR (page 42), DG REGIO indicated that by end 2012 91% of the ERDF and Cohesion Fund programmes' management verifications were assessed as working well with only minor or some improvements needed. For the remaining programmes, substantial improvements were needed and remedial action plans linked to interruption/suspension of payments were decided in 2012 and 2013.*

*Concerning ESF, on 12 November 2012, DG EMPL's Director General sent a letter to all Managing Authorities drawing their attention to the need to improve the reliability of the management verifications and calling upon them to strengthen existing procedures and practices in the light of the Court's findings concerning first level checks. DG EMPL will also carry out in 2013 a number of thematic audits on the effectiveness of first-level checks in a set of operational programmes selected on a risk basis. Furthermore, the Commission will continue encouraging and supporting national authorities in their simplification efforts, in particular the effective implementation of the simplified costs options provided for in the current regulations. In this regard, besides the Sectoral Event on Simplified Costs held on 13 December 2011, to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities have already taken place in Spain, Portugal Italy, Bulgaria, Hungary and Croatia in 2012 and early 2013. Another one will take place in Romania in April 2013. Besides contributing to a further reduction in error rates (and error frequency), the effective implementation*

*of simplified costs would also significantly reduce the administrative burden on beneficiaries and the cost of control.*

*With a view to the next programming period, the Commission has proposed to build up on experience to reinforce systems to ensure legality/regularity across programmes and improve further management accountability. The formal certification of annual accounts once all national controls have been done, combined with the 10% retention mechanism on interim payments, net corrections following Community audits once accounts have been certified and the requirement of annual management declarations by managing authorities are meant to offset the risk that expenditure claimed are not legal and regular and to improve accountability at national level.*

*As regards agriculture, the Commission fully agrees with the European Court of Auditors and the European Parliament on the key and irreplaceable role played by the national authorities in protecting EU funds under shared management.*

*The Commission provides guidance to the Member States and monitors the effectiveness of their control systems on an on-going basis and especially through its annual plan of compliance audit missions. In 2011, for EAFRD, 28 audit missions were carried out, covering 15 Member States. These figures do not include further audit missions carried out in the framework of the clearance of accounts (accreditation of Paying Agencies and certification by independent bodies) and other audit missions carried out for the first pillar and also concerning area-based schemes in the second pillar. From 2013, the audit resources devoted to EAFRD will be reinforced as part of the response to the high error rate.*

*Whenever weaknesses are found, the Commission protects the Union's financial interests by means of financial corrections imposed on the Member States. The decisions adopted by the Commission in 2011 and 2012 in respect of EAFRD, for non-compliances with EU rules found in previous years, concerned respectively 58 and 67 million euros to be corrected and recovered to the EU budget.*

68. (§ 82) The Parliament urges the Member States to identify and report to Parliament, in coordination with the Commission and in consultation with the Court of Auditors, unnecessarily complex national rules on public procurement in order to simplify them.

**Commission's response:**

*The request is primarily addressed at the Member States and not at the Commission. The Commission, therefore, does not see itself in the lead of initiating the request. It, furthermore, refers to its reply to request § 1h.*

69. (§ 83) The Parliament calls on the Commission, where breaches of budgetary and competition law are known to have occurred in the Member States (particularly in the award of public contracts), to apply more stringent monitoring and conditions and, in case of doubt, to suspend financing from the Structural Funds immediately until compliance with the rules and hence a use of the funds which accords with Union law are guaranteed.

**Commission's response:**

*As regards cohesion policy, the requested action has been taken and the controls are already in place. DG REGIO and DG EMPL fully use interruptions and*

*suspensions instruments as soon as irregularities, including those linked to the award of public contracts, are detected, leading to actions plans to correct past expenditure and to adapt management and control systems. The Commission only resumes payments when it has a reasonable assurance that irregular expenditure have been corrected and that management and control systems are adapted. However, the Commission notes that the request is vague and does not focus on cohesion policy legislation.*

*As regards agriculture, DG AGRI is increasing the audits of the implementation by the Member States of the Rural Development Policy. To allow for greater flexibility regarding interruptions and suspensions of payments in rural development already in the current programming period, the Commission has amended the respective Commission rules (Regulation (EC) No 883/2006) in view of covering cases where the Member State does not provide the Commission with the necessary information demonstrating that it is addressing deficiencies in its management and control system or where such information is manifestly insufficient. As regards the new programming period 2014-2020, in the political agreement with the co-legislator on the main elements of the CAP reform, in particular for a horizontal regulation, Article 43 of the latter will enable the Commission to suspend payments when serious deficiencies are detected.*

70. (§ 84) The Parliament encourages the services of the Commission to launch a pilot action plan, as DG Employment did in policy sectors with a high error risk, aiming at identifying key areas where simplification could help to reduce the error rate at beneficiary level.

**Commission's response:**

*The requested action has been taken. DG REGIO applies a similar policy as DG EMPL in concentrating efforts of support to Member States that show difficulties in meeting the requirements of adequate management and control systems. Particular attention to overcome structural weaknesses has been paid in this respect most recently to the Czech Republic, Spain and Italy, all Member States that were in particular targeted by interruption and pre-suspensions of payments.*

*On a more general level and following the adaption of the ERDF regulation to the provisions foreseen in the ESF regulation, DG REGIO had started to apply simplified costs options in particular to sectors that are more exposed to potential errors due to a high ratio of indirect costs. In particular programmes with interventions in RTD have started to take advantage of the modified legal provision in this period.*

*For the next programming period for 2014-2020, the Commission has proposed a number of provisions for management and control systems ensuring the prevention and detection of irregularities, including fraud, and thus reasonable assurance on the regularity of expenditure. At the same time the delivery system should be as simple and streamlined as possible to ensure efficient implementation and the reduction of administrative burden for beneficiaries. The options proposed for cohesion policy include inter alia different reimbursement options (based on real costs and simplified cost options), a proportional approach entailing risk based control arrangements and eGovernance. If implemented, these provisions will reduce error rates at beneficiaries level.*

*As regards agriculture, an action plan for rural development is described in the reply to § 1i. This action plan both addresses the authorities and beneficiaries. It will also promote simplification through the analysis of root causes and the discussion with all Member States in the rural development committee and the meetings with the paying agencies. This exchange will allow to compare different practices and to develop best practices. In addition, the guidance documents under preparation will also address simplification issues. The guidance document on simplified costs will contribute to promote administrative practices which simplify the implementation of projects for beneficiaries.*

71. (§ 85) The Parliament urges the Commission to develop additional instruments to facilitate the process of consultation with beneficiaries and to strengthen their direct feedback to the national authorities, in line with the efforts to simplify the national rules and to reduce the error rate.

**Commission's response:**

*The Commission is taking the requested action as regards agriculture. It will invite the Member States to use the technical assistance of the rural development programmes in order to organise awareness raising actions with beneficiaries and authorities involved in the implementation of programmes at the occasion of the seminar on error rate in rural development on 16 October 2013.*

*However, as regards cohesion policy, the Commission will not be in a position to take the requested action. It cannot have direct links with hundreds of thousands of beneficiaries in shared management and, therefore, overpass managing authorities for the management of projects.*

72. (§ 86) The Parliament once again requires the Commission to name the Member States responsible for the cumulative quantifiable errors identified.

**Commission's response:**

*The requested action has been taken. In 2011, the Commission published an analysis of errors in Cohesion Policy for the years 2006-2009 (SEC(2011) 1179, 5 October 2011), showing a concentration of errors detected by the Court in that period in Spain, Italy and the UK.*

*The Staff Working Document also reported that since 2007 operational programmes in Spain and Italy represented approximately 60 % of the number of programmes under reservation. Therefore, special action plans focused on these two Member States have been developed besides the usual corrective and preventive measures applied for all programmes in reservation in the various Member States.*

*For the 2007-2013 period, error rates for each operational programme are provided by the Member States' audit authorities in their Annual Control Reports and reviewed by the Commission in the framework of the elaboration of its Annual Activity Report. The resulting cumulative (average) risk rate by MS, reservations and corrective actions taken are fully disclosed in the 2012 AARs of DG REGIO (pages 129-133) and DG EMPL (page XX). DG REGIO's 2012 AAR discloses the risks for payments for all Member States (table on p. 7), out of which one can draw conclusions on the Member States contributing most to the risk (AT, EL, SI, FR). In DG EMPL's 2011 AAR, 4 Member States (ES, DE, IT, CZ) represent the*



*highest financial risk and account for two-thirds of the reservations made in the 2011 AAR.*

*With a view to the Court's 2011 Annual Report, there was less concentration of errors for the ERDF in some Member States/programmes than in previous years, as, due to the increased preventive actions (interruptions/suspensions) in 2011, the programmes more at risk could not be selected for the DAS sample as no payments were made. Results show that a high error rate is not a problem of the policy as a whole, but of some programmes in some Member States; if payments are interrupted to these problematic programmes, the error rate goes down and remedial actions are taken for future payments. All details on programmes under reservation as well as on remedial action plans are provided in DG REGIO's and DG EMPL's Annual Activity Reports (see above).*

*As regards Agriculture, the Commission already named those Member States that had a residual error rate for second pillar expenditure (rural development) as a whole which was above the materiality threshold (>2%) for the financial year 2011 in the Annual Activity Report 2011 of the Directorate General for Agriculture and Rural Development (Austria, Denmark, Estonia, Spain, France, Ireland, Latvia, Portugal, Romania, Sweden, Slovenia and Slovakia). Two other Member States (Bulgaria and Malta) with a high error rate for measures under Axis 2 were named as well, although they did not exceed, the overall threshold. This reservation has been carried over in 2012 DG AGRI AAR. Further analysis of the errors in rural development was presented in the Commission staff working document on the assessment of root causes of errors in the implementation of rural development policy and corrective actions, adopted by the Commission at the end of June 2013. As for the expenditure under the first pillar of the CAP, following an integrated approach for the calculation of the residual error rate for decoupled direct aids, DG AGRI 2012 AAR contained a reservation concerning serious deficiencies in direct payments in Portugal, Bulgaria and France. These three Member States named were displaying error rates above 5% and contributed the most to the overall residual error rate. Statistics on the residual error rates by individual Member States were disclosed in the 2012 AAR for EU-27 allowing for identification of the Member States exceeding the materiality threshold.*

73. (§ 87) The Parliament notes the entry into force of the European Stability Mechanism but regrets that this mechanism was set up outside the Union's institutional framework, as this precludes any democratic, political and budgetary control by the Union institutions and in particular by Parliament; deems it essential that the ESM will be discussed at least once a year in a plenary debate in the presence of the Council and the Commission on the basis on the annual report from the ESM Board of Auditors.

**Commission's response:**

*The Commission can only take note that the ESM was established by an intergovernmental treaty outside the EU framework. The Commission will gladly participate to any debate in the European Parliament on the ESM but must point out that it only enjoys an observer status in the ESM governing bodies. The Commission should also point out that the European Court of Auditors is also involved in the ESM, as one Member of the ESM Board of Auditors is appointed from the European Court of Auditors.*

74. (§ 88) The Parliament calls on the Commission to report on and evaluate the anti-fraud strategies established within each directorate general following the adoption of the Commission's new Anti-Fraud Strategy (COM(2011)0376) and the Internal Action Plan (SEC(2011)0787) for its implementation in June 2011.

**Commission's response:**

*The annual activity reports of the authorising officers by delegation refer to the adoption and implementation of their respective anti-fraud strategies. The Commission will report on the implementation of its Anti-fraud Strategy starting with the Commission report on the protection of the EU financial interests for the year 2013.*

75. (§ 89) The Parliament calls on the Commission to report how it intends to improve as soon as possible its provision to introduce a pro-active management of potential conflict of interests and 'revolving doors'.

**Commission's response:**

*The legal framework common to all institutions and the implementing provisions adopted by the Commission are a solid basis for dealing with all issues relating to conflicts of interest, including in the so-called revolving door cases. These rules are proactively managed by the Commission.*

76. (§ 90) The Parliament calls on the Commission to report how it has implemented Article 5(3) of the WHO Framework Convention on Tobacco Control and how it intends to improve and clarify existing rules.

**Commission's response:**

*Please refer to request made in § 92. As set out its replies to the parliamentary questions E-011643/2012 and E-001718/2013, the Commission does not see a need for new provisions.*

77. (§ 91) The Parliament calls on the Commission to provide Parliament as soon as possible with an overview about all (public and non-public) documents and all persons involved in the negotiations of the four cooperation agreements with the tobacco industry.

**Commission's response:**

*There has been an exchange of letters between EP CONT Committee Chairman, Mr. Theurer, and Commissioner Semeta in relation to CONT's request to have access on a confidential basis to non-public documents related to the Agreements with tobacco manufacturers. The Commissioner indicated in the annexes to his letters dated 6 November 2012, 20 December 2012, and 27 March 2013 transmitted to Mr. Theurer those documents which can be made available to CONT in a secure reading room. They include the minutes of the annual meetings with the four cigarette manufacturers with which the EU and the Member States have concluded agreements. Following the receipt of a reply from Mr. Theurer on 13 June to the most recent letter from the Commissioner dated 27 March arrangements will now be put in place to enable CONT members to have sight of the documents on a confidential basis. This was confirmed by Commissioner Semeta in a CONT meeting on 18 June.*

78. (§ 92) The Parliament calls on the Commission to report on how the provisions of Article 5(3) have been implemented in the Union and its institutions, especially considering the following question: how far does implementation follow guidelines set by the WHO to Article 5(3); questions how and why the Commission has deviated from those guidelines.

**Commission's response:**

*As regards the guidelines for implementing art 5(3) of the Framework Convention on Tobacco Control (FCTC), the Commission believes that the ethical framework applying to Members and staff is fully compatible with this provision, as explained in its replies to the parliamentary questions E-011643/2012 and E-001718/2013, in the two-year report under the FCTC submitted on 9th November 2012, and in the response of President BARROSO to a letter of Mr GROOTE, Chairman of the Committee on the Environment, Public Health and Food Safety.*

## Budgetary management

79. (§ 94) The Parliament is concerned by the acceleration in the rate of payment requests by the Member States towards the end of the year as regards the ESF, the ERDF and the Cohesion fund, because this prevents the Commission from requesting an amending budget from the budgetary authority in due time in order to increase the payment appropriations with a view to honouring the claims received; therefore asks the Commission to urge the Member States to transmit most of the claims as early as possible.

**Commission's response:**

*The requested action has been taken. The Commission shares the EP's concern. In view of this, three Commissioners (Andor, Hahn, Lewandowski) sent a letter to Member States on 22 March 2012 asking for 1) MS to submit payment claims before 31 October and 2) more regular spreading of payment applications throughout the year. For 2012, it can be noted that Member States have clearly improved the management of their claims. The Commission received 28% of total payment claims for the concerned funds during the two last months of the year, whereas the similar figure was 42% in 2011. In 2013, a similar letter has been sent on 04/03/2013 to Member States, including for rural development programmes requesting forecasts of claims to be submitted in 2013 and 2014. In 2013, particular attention will be drawn on the impact of the N+2/N+3 rule and a potential significant backlog of unpaid claims at the end of 2013. In order to enable a better assessment of the remaining budgetary needs Member States will be invited to send their applications as soon as possible.*

80. (§ 97) The Parliament insists that sufficient payment appropriations need to be made available in future years from the outset.

**Commission's response:**

*The Commission has taken the recommended action.*

*The Commission will continue to estimate as precisely as possible the required level of payment appropriations, and on this basis submit to the Budget Authority draft budgets with sufficient appropriations.*

*Thereafter, the Commission calls on the Budgetary Authority to adopt a Budget with an adequate amount of payment appropriations, in accordance with the Financial Regulation.*



## Revenue

81. (§ 104) The Parliament requests information before September 2013 on progress made with reference to the main findings and observations of the Court of Auditors' Special Report No 13/2011.

**Commission's response:**

*The Commission follows up the Court's recommendations regularly and reports on them within the normal follow up cycle and will continue to do so. The Commission is thoroughly following up the recommendations made by the European Court of Auditors in the context of past and recent audits, in particular the European Court of Auditors Special Report No 13/2011 "Does the control of customs procedure 42 prevent and detect VAT evasion?". See also the Commission's reply to Parliament's request to report on the progress in terms of the follow-up on the Court of Auditor's recommendations (Hearing on 21 January 2013, point 48). See also Commission's reply in the special report No 13/2011 on initiatives taken.*

82. (§ 106) The Parliament requests information as to the reasons why the Commission has not implemented Recommendation No 6 of Special Report No 13/2011.

**Commission's response:**

*The Commission has explored this possibility with Member States who, however, prefer to use targeted exchanges of information via Eurofisc instead. Therefore an amendment of the VAT Directive would not have the unanimous support from Member States that is necessary for legislative proposals to be approved in the field of taxation. Moreover, as of 1/1/2013 national authorities and traders' obligations in relation with Customs procedure 42 have been clarified: VAT numbers have to be included in box 44 of the customs declaration in order to benefit from the exemption. An evidence that "the imported goods are intended to be transported or dispatched from the Member State of importation to another Member State" will be provided, if required by a Member State (broadly meaning a reference to the related transport document).*

83. (§ 108) The Parliament calls on the Commission to intensify its efforts to remedy the situation with regard to the state of implementation of the Court of Auditors' recommendations contained in its Special Report No 13/2011.

**Commission's response:**

*The Commission first would like to stress that the audits carried out by the Court in Member States covered the period before the new Article 143(2) of VAT Directive, which specifies the conditions for applying the exemption of VAT payment in a more detailed manner than in the past, entered into force. Therefore, since the start of the audit, the following progress has been achieved: - At the end of 2008, the Commission proposed to modify the VAT Directive and further clarify the conditions under which the exemption can apply. The proposal was adopted by Council and entered into force in early 2010. - The Commission actively supports any initiative that could lead to the creation of an EU risk profile addressing the risk of VAT fraud concerning imports under procedure 42. In Eurofisc a specific working field was created in February 2011 in order to exchange targeted information on fraudulent transactions using the customs procedure 42. In this*

*working field both representatives from customs and tax departments are present and they have identified the transactions that require further close monitoring and the best way to do this. Until now, Member States still prefer to keep performance of the related risk analysis tasks to national level. Results, however, are shared with all other Member States. – The Commission amended the Modernised Customs Code Implementing Provisions to implement the compulsory and uniform communication at the time of importation of the information required by Article 143(2) of Directive 2006/112/EC when the VAT exemption applies (Commission Regulation 756/2012 of 20/8/2012). The information required from 1.1.2013 in Box 44 of the customs declaration includes the relevant VAT numbers and the reference to the evidence of the intended transport to the Member State of final destination. For technical reasons, communication at the time of importation of the information required by Article 143(2) of Directive 2006/112/EC is not possible in regard to the Local Clearance Procedures. – Definitions are clarified and explanations/examples for procedure code 42 are given in order to spell out the link between Customs and VAT provisions and to remove any possible ambiguity as to the obligations to provide VAT identifications in those customs declarations. – The Commission is closely monitoring the actions taken at national level to ensure the implementation of this legislation both by customs and tax administrations. The purpose is to check a) what has been done in each country to ensure that all the information relating to imports under the customs 4200 procedure has been transmitted or communicated from the customs authorities to the domestic tax administration b) and to check whether measures have been taken at national level to provide customs authorities with on line access to information contained in the VIES database, so that proper checks on the validity of VAT identification numbers can be made by the customs authorities at the time of importation. This monitoring exercise indicates that most MS are working on this. The results of this monitoring will be reflected in the Article 12 Report on Own Resources to be presented in 2013. – The Commission has also encouraged the automatic verification of the validity of VAT identification numbers in VIES in the Member States customs electronic clearance system by reminding MS about the need to perform automatic verifications of VAT ID. In addition, the Commission monitors the situation. The Commission therefore considered that it is thoroughly following up the recommendations made by the European Court of Auditors, in particular the Special Report No 13/2011 "Does the control of customs procedure 42 prevent and detect VAT evasion?".*

84. (§ 110) The Parliament calls on the Commission to make an evaluation of the cost of postponing full application of the Modernised Customs Code (MCC), quantifying the budgetary consequences of such postponement.

**Commission's response:**

*- See Mr Šemeta's reply on request made in § 1ah.*

85. (§ 111) The Parliament calls on the Commission to step up its efforts to ensure that the MCC is implemented at the earliest possible date, and in any event to avoid the worst-case scenario indicated in the study for March 2033.

**Commission's response:**

*- See Mr Šemeta's reply on the request made in § 1ah. The Commission closely follows this issue. It fully participated in the preparation and finalisation of a study*

*commissioned by the European Parliament in 2012. According to this study, the estimated deadlines for the implementation of the Customs Code range from 31 December 2017 (most optimistic scenario) to March 2033 (most pessimistic scenario). The 2020 deadline proposed by the Commission can therefore already be considered as very ambitious. All stakeholders (including the EP in the Salvini report of 1 December 2012) unanimously agreed to postpone given that MS were not in a position to commit to the development of the necessary IT systems. Inter-institutional negotiations on the proposal for the Union Customs Code are now closed and EP and Council agreed on the ultimate date of 31.12.2020 for the implementation of all UCC-related IT systems, as proposed by the Commission.*

86. (§ 114) The Parliament calls on the Commission to strengthen its coordination with the Member States in order to collect reliable data on the customs and VAT gap in the respective countries and to report on a regular basis to Parliament in that regard.

**Commission's response:**

*- See Mr Šemeta's reply mentioned earlier (PA n°4). The Commission would like to recall two different and on-going initiatives: on the one hand, the study "Levelling the Playing field on the Single Market" commissioned by the EP, and the active participation of the Commission services in the elaboration of this study. The study on the estimation of the VAT gap will be updated and made available by 30 October 2013, at the latest, to the other European Institutions. It is the Commission's intention through this update to publish a new estimate of the VAT GAP for all 27 Member States following the same approach as in 2009, that is to say by comparing accrued VAT receipts with a theoretical net VAT liability for the economy as a whole. See also reply to §1ai.*

## Agriculture

87. (§ 119) The Parliament calls on the Commission and the Court of Auditors to agree on a consistent methodology with a view to rendering the yearly budget implementation figures more comparable.

**Commission's response:**

*The Commission shares the European Parliament's view that it would be preferable to agree on a consistent approach. However, the Commission acknowledges that in its function as independent external auditor of the EU institutions, the Court is free to choose its own methodology.*

*The Commission has informed the Court of its position that cross-compliance requirements are not eligibility conditions, as they do not affect the farmers' entitlement to receive their payments. Therefore cross compliance violations do not affect the legality and regularity of the direct CAP aid expenditure. It is the opinion of DG AGRI that sanctions applied for cross compliance violations should not be taken into account in the calculation of error rates concerning the legality and regularity of transactions.*

*The Commission therefore regrets that for formal reasons it is obliged to reject the recommendation. However, in future Annual Activity Reports DG AGRI will explain how the different approaches of the ECA and the Commission on this issue impact on the residual error rate.*

## Market and direct support

88. (§ 129) The Parliament calls on the Commission to remedy the situation of inaccurate data in the various databases and an incorrect administrative treatment of claims by the paying agencies in certain Member States without any delays using suspensions and interruptions of funding when necessary.

**Commission's response:**

*Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies in the functioning of the management and control system.*

*However, a full harmonisation of interruption and suspension activities across all policy areas is not possible under the current legal framework.*

*For the new programming period 2014-2020, the Commission's proposal for common provisions for the Structural Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development (See Article 74 of COM(2011) 615 final).*

*Furthermore, the Commission fully supports the EP amendment of Article 43 of the Commission proposal for the horizontal regulation, which is currently under consideration in Council and Parliament and would allow the Commission to suspend payments when serious deficiencies are detected and no remedial actions are implemented. Depending on the outcome of the CAP reform process these new rules would apply from 1 January 2014.*

89. (§ 132) The Parliament insists that on-the-spot inspections should be of the quality necessary to identify the eligible area in a reliable manner.

**Commission's response:**

*The Commission shares the view of the Court that the quality of on-the-spot checks is essential to complete the administrative checks and to establish a reliable error rate. Deficiencies in the quality of the on-the-spot checks identified during the audits carried out by the Commission services are systematically followed up through conformity clearance procedures which ensure that the risk to the EU budget is adequately covered.*

*From claim year 2014 the certification bodies will be required to systematically and every year re-perform on a statistically valid sample all checks done by the paying agencies, in view of delivering an opinion on the quality of the administrative and on-the-spot controls and the legality and regularity of the underlying transactions. This will reinforce the assurance on the quality of the controls.*

90. (§ 134) The Parliament calls on the Commission to take all necessary actions so that paying agencies remedy weaknesses detected in their administration and control system; insists that the design and quality of the work to be performed by certifying bodies must be improved in order to provide reliable assessment of legality and regularity of operations in the paying agencies; asks the Commission to investigate if it is possible to cooperate with private individuals to verify cross compliance standards and reduce administrative burden.



**Commission's response:**

*The Commission shares the view that paying agencies shall remedy to weaknesses in their administration and control system as soon as they are detected, be it by their internal control system, by the certification body, by Commission services or by the Court of Auditors. Deficiencies identified during the audits carried out by the Commission services are systematically followed up through conformity clearance procedures which ensure that the risk to the EU budget is adequately covered.*

*From claim year 2014 the certification bodies will be required to systematically and every year re-perform on a statistically valid sample all checks done by the paying agencies, in view of delivering an opinion on the quality of the administrative and on-the-spot controls and the legality and regularity of the underlying transactions. This will reinforce the assurance on the quality of the controls.*

*The Commission considers that to cooperate with private individuals for cross-compliance controls is not suitable. The involvement of a third party (private individuals) would significantly complicate the current structure by adding a new layer of control elements in terms of delegation, supervision, performance or responsibility.*

## Rural development

91. (§ 137) The Parliament calls on the Commission and the Member States to ensure that the existing rules are better enforced.

**Commission's response:**

*New guidelines on the treatment of non-respect of public procurement rules are under development between are in preparation between the DGs concerned and will be finalised and presented to the Member States during the course of 2013.*

92. (§ 138) The Parliament reiterates its regrets that the Commission follows different methodologies to quantify public procurement errors in the two policy areas agriculture and cohesion both of which being furthermore not in line with the Court of Auditors' methodology and calls on the Commission and the Court of Auditors to harmonise the treatment of public procurement errors in these two policy areas urgently.

**Commission's response:**

*The Commission is taking the requested action. The system of quantification of public procurement errors by the Court differs from the one used by the Commission or Member States when deciding how to respond to the incorrect application of public procurement rules. The Commission, according to its established methodology, which is also used by many national authorities, applies flat-rate corrections which ensure corrections which are proportionate to the severity of the infringement. The Court has a 0% or 100% approach. This difference in quantifying public procurement errors explains that five 100% public procurement errors for ERDF/CF projects, out of 168 projects audited in 2011, make up 45% of the error rate calculated by the Court in its 2011 annual report.*

*The Commission has launched a revision of its methodology to quantify errors linked to the implementation of public procurement, to take account of experience and practices audited and detected so far (revision process to be finalised in 2013). The objective would be, through a Commission decision, to enhance the legal character of these correction rates including when being used by Member States authorities to impose financial corrections to their beneficiaries, and to harmonise approaches within the Commission between policies under shared management (agriculture, cohesion policy, home and justice affairs) and other policy areas.*

*As regards agriculture, the quantification of errors in relation to public procurement work is on-going for harmonising the methodology between the different policy areas, notably the agricultural and regional policies. This is also in response to the European Parliament's call on the Commission in this respect in its discharge resolution for 2010.*

*As recommended by the Parliament in previous discharge recommendations, the Commission proposed to the Court a harmonisation of approach on the quantification of errors linked to public procurement. The Court did not take the opportunity and confirmed that its approach for the purpose of assessing the risk for the EU budget as a whole in its annual report may be different to the Commission's legal approach to financial corrections imposed to Member States (Cf. Annual Report 2010 - PART 2 — Audit approach and methodology for the*

*regularity of transactions ). The Commission explained this difference of approach in its Staff Working Paper SEC(2011)1179 final.*

93. (§ 141) The Parliament calls on the Commission to take account of findings identified by the Court of Auditors when establishing the audit strategy of DG AGRI's clearance of accounts.

**Commission's response:**

*The findings identified by the Court are systematically assessed by Commission services. They are duly taken into account in the central risk assessment performed annually by DG AGRI and that serves as a basis for identifying most risky areas and establishing the audit programme.*

94. (§ 144) The Parliament insists on data exchange between the Court of Auditors and the Commission to facilitate coordinated back casting for past periods in order to ensure a reliable database for future comparisons with regards to management and control systems for rural expenditure; is convinced of the usefulness of tripartite meetings between the Court of Auditors, the Commission and representatives from Member States concerned when looking for common analysis.

**Commission's response:**

*The Commission systematically exchanges all its audit findings with the Court of Auditors. This exchange has already been in place for years and works satisfactorily.*

*The Commission shares the view of the European Parliament that tripartite meetings can in specific cases bring value to the proceedings. However, the Court of Auditors seems more reluctant to pursue this procedure.*

95. (§ 145) The Parliament calls on the Commission to take the necessary measures in order to reduce the error rate in rural development.

**Commission's response:**

*In 2012 DG AGRI established working group in order to make an in-depth analysis of the causes of errors and to identify remedial measures. The group has continued its work in 2013. In 2012 the work focused on the errors found in the Member States' control statistics for 2011 (claim year 2010). In 2013 the work has been enlarged also to include the results of the Court of Auditors DAS work. In 2012 the DG AGRI addressed the issue of errors with 14 Member States. In 2013 the exercise has been extended to cover all 27 MS. Following the outcome of this work, corrective actions have already started. Where possible, Member States have already amended their implementing arrangements or have amended their programmes in order to reduce the risk of errors in the implementation.*

*The Commission has conducted a number of actions to inform all Member States' administrations about root causes identified and possible corrective actions. A discussion in the Council took place on 29 November 2012, and Member States have also on several occasions been informed through the Rural Development Committee and annual conference of paying agencies. On 29 April 2013 a seminar with the participation of members of the rural development committee and the Funds committee took place in Brussels in order to present and discuss the outcome of the work with all 27 MS for identifying root causes for errors and remedial actions. The European Network for Rural Development is similarly being*

*used to raise further awareness of the issue. Member States have also already scheduled information campaigns for beneficiaries. The Commission has provided a specific training for rural development desk officers in DG AGRI.*

*Furthermore, DG AGRI adapted its 2012 plan of audits of the implementation of rural development measures in the Member States. Some audits to Member States or regions with high error rates were added to the plan. In addition, in all planned audit missions, increased focus on the error rates have been added to the objectives of the audits. Similarly, in the preparation of the 2013 audit plan of rural development, more attention has been paid to the issue of error rate and risk detection. This is now an integral part of each audit performed. The number of staff devoted to auditing the implementation of the 2007-2013 rural development programmes (EAFRD expenditure) is being increased so as to increase substantially the number and coverage of audits in the next two years.*

*For the preparation of the programmes for the next programming period, the Commission will only approve Rural Development programmes where the design of the measures does not create undue risk of error. Member States are encouraged to establish their draft programmes in such a way that measures are clear, verifiable and controllable. A specific provision on this is part of the proposal for the new legal framework. To support Member States in this endeavour, the Commission has started establishing guidelines for programming and are gradually making these available to the Member States.*

*For rural development, a range of approaches has been proposed for reimbursing payments by beneficiaries on the basis of simplified costs involving standard scales of unit costs, lump sums and flat-rate financing in the new legal EU framework. As a result, the processes of claiming, managing and auditing reimbursement for payments made would be easier for everyone, making rural development support more accessible.*

96. (§ 146) The Parliament calls on the Commission, nevertheless, to set up an action plan to reduce the error rate not only by providing guidance and assistance to the Member States by means of best practice examples but also by increasing monitoring on the implementation of programmes and using sanctions such as interruptions and suspensions of payments in particular in rural development more effectively where needed.

**Commission's response:**

*Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies in the functioning of the management and control system.*

*However, a full harmonisation of interruption and suspension activities across all policy areas is not possible under the current legal framework.*

*For the new programming period 2014-2020, the Commission's proposal for common provisions for the Structural Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development (See Article 74 of COM(2011) 615 final).*

*Furthermore, the Commission fully supports the EP amendment of Article 43 of the Commission proposal for the horizontal regulation, which is currently under*

*consideration in Council and Parliament and would allow the Commission to suspend payments when serious deficiencies are detected and no remedial actions are implemented. Depending on the outcome of the CAP reform process these new rules would apply from 1 January 2014.*

97. (§ 147) The Parliament calls on the Commission to further improve the quality control of accreditation criteria for paying agencies and certifying bodies.

**Commission's response:**

*The work plan for 2013 will take into account the need to reinforce the controls on the adequacy of the accreditation criteria. In addition, the new guidelines that are being developed for the certification bodies will also aim at improving the work to be done by the certification body on the accreditation criteria in the context of the yearly clearance of accounts exercise.*



## Environment, public health and food safety

98. (§ 154) The Parliament encourages the Commission to focus in the future on PPs and PAs with true added value for the Union

**Commission's response:**

*The Commission will consider the added value for the Union of Pilot projects and Preparatory actions in the executability letters of the budget and in the reports on implementation of those PPs and PAs.*

99. (§ 155) The Parliament encourages the Commission to strengthen the cooperation with Member States in order to receive the best and most accurate data for the forecasts in the policy area of food and feed safety, animal health, animal welfare and plant health.

**Commission's response:**

*The Commission put in place several measures in order to receive accurate data from the Member States and to further improve the implementation rate of the budget. As a result, the commitment execution reached 96,8 % in 2012, compared to 95% in 2011 and 2010; payment execution increased to 99,7% in 2012 (98,1% in 2011; 90,5% in 2010).*

*During the preparation phase of the Draft Budget 2012, the accuracy of the planned budget for the Member States' animal disease eradication programmes was improved by comparing the initial estimates to the actual implementation of the Member States' programmes in the previous years. The initial amounts were adapted in close cooperation with the Member States to fit their real future needs.*

*In addition, budget preparations were improved by a more precise and restrictive definition of eligible expenditure. This definition was introduced in the Commission Decision for the veterinary programmes starting 1 January 2011. The introduction of lump sums as from the 2012 animal disease eradication programmes aims at simplifying the financial aspects of the Member States' programme preparations; it is also expected to result in more accurate figures for the budget planning.*

*During the budget implementation phase, an additional tool for the assessment of animal diseases eradication programmes was created by the Commission in the form of an expert group. Its mission is to provide external technical assistance for the pre-assessment of the 2013 and onwards programmes submitted by the Member States related to a number of diseases.*

*Finally, potential under-expenditure is identified in the Commission's mid-term report review process, with a view of reaching a full implementation rate of the budget and of reallocating additional funds to other programmes where justified.*

## Fisheries

100. (§ 162) The Parliament calls on the Commission to propose a fresh definition of capacity in the technical assessment methods, in particular in order to avoid errors in declaring certain expenditure under article 25(2) of Regulation (EC) No 1198/2006.

**Commission's response:**

*The Commission is taking action in 2013 by developing common guidelines to provide a working method leading to an assessment of whether a fishing fleet segment is in a situation of overcapacity or not. This assessment will be based on biological, technical and economic and social criteria. According to the anticipated outcome of the reform of the Common Fisheries Policy (Based on the Commission's proposal COM (2011) 425 final), and in particular Article 34 thereof, the capacity assessment will be made by Member States.*

*Where overcapacity has been identified, Member States will be required to prepare an action plan setting out the adjustment targets and tools to achieve a balance between fishing capacity and the fishing opportunities from exploited resources with a clear time-frame for the implementation of the plan.*

*In the case that a Member State fails to implement an action plan, the Commission may suspend or interrupt relevant Union financial assistance to that Member state for investment in the relevant fleet segment.*

## Regional policy; energy and transport

101. (§ 168) The Parliament calls on the Commission to urge the Member States to improve their management and control systems in order to detect and correct errors at national level.

**Commission's response:**

*The requested action has been taken. The Commission continues to remind Member States authorities that they should carry out proper and sufficient management verifications, before accepting and declaring expenditure submitted by beneficiaries. Audit Authorities continuously review this key requirement in the systems through audits on statistical sample of operations each year. When serious deficiencies are detected, the Commission interrupts/suspends payments for Structural or Cohesion Funds and imposes financial corrections, when necessary.*

*However, administrative capacity in some Member States and/or programmes needs to be improved further, to make sure that Managing Authorities are adequately staffed or that they address the problems connected to the high turnover of staff in some administrations. But Member States also need to provide training at their turn at all administrative layers, in order to ensure that rules are properly known and implemented, particularly in case of staff turnover. To help them, DG REGIO has set-up in August 2012 a special competence centre for administrative capacity building.*

*The Commission will continue to verify the functioning of the management and control systems in the Member States through all audit results available at EU and national levels, including reported error rates, and to take action when necessary. In its 2012 Annual Activity Report (page 42), DG REGIO indicated that by end 2012 91% of ERDF and Cohesion Fund programmes presented management verifications assessed as working well with only minor or some improvements needed. For the remaining programmes, substantial improvements were needed and remedial action plans linked to interruption/suspension of payments were decided in 2011 and 2012 (Percentages do not add up to 100% due to rounding issues).*

*With a view to the next programming period, the Commission has proposed to build up on experience to reinforce systems to ensure legality/regularity across programmes and improve further management accountability. The formal certification of annual accounts once all national controls have been done, combined with the 10% retention mechanism on interim payments, net corrections following Community audits once accounts have been accepted and the requirement of annual management declarations by managing authorities are meant to offset the risk that expenditure claimed are not legal and regular and to improve accountability at national level.*

102. (§ 170) The Parliament calls on the Commission to use all available instruments over the next programming period 2014-2020, as outlined in the Commission proposal (COM(2011)0615/2), in particular by means of delegated acts and implementing acts, with a view to setting out conditions which the national audit authorities shall fulfil and to adopting models for the audit strategy, the audit opinion and the annual control report, as well as the methodology for the sampling method.

**Commission's response:**

*The Commission is taking the requested action. It will decide on the necessary delegated and implementing acts in 2013 to ensure that the MS authorities fulfil their obligations under the system of shared management in the next programming period. It will prepare appropriate guidance for MS authorities, including the requested elements.*

103. (§ 185) The Parliament calls on the Commission to provide a comprehensive assessment of the financial corrections made and their impact on the systems in respect of preventing the recurrence of the same errors (specifically of a systemic nature) in the future; calls on the Commission to inform Parliament about its conclusions by the end of 2013.

**Commission's response:**

*The requested action has been taken. The Commission recognises the crucial importance of a solid reporting in this area as a mitigating impact of its corrective mechanisms against the Court's reported error rate and is, under the lead of DG BUDG, already working on this. See also the Commission's reply that relates to the 2011 EP discharge recommendation 1(a). The Commission reports on a quarterly basis figures on financial corrections to the Parliament.*

*As regards cohesion policy, an "accounting exercise" on financial corrections including at closure 2000-2006 has been provided to Parliament on 12 April 2013.*

*However, financial corrections are a tool to correct past expenditure already certified to the Commission. These are accompanied by required remedial actions to improve systems for the future, as reported in the annual activity reports. A financial correction by itself does not lead to system improvement (accounting exercise). Under shared management it is the Member States' responsibility to ensure the functioning of effective management and control systems to prevent, detect and correct irregularities (Articles 59-62, 91, 92 and 99 of Regulation (EC) No. 1083/2006). At closure of 2007-2013, the Commission services will calculate a residual error rate at programme level, which corresponds to all remaining errors, individual and systemic, after deduction of all corrections already implemented by the Member States authorities either on own initiative or at the Commission's request. The Commission will apply a financial correction corresponding to any material residual error rate (above 2%) on the closure payment.*

104. (§ 187) The Parliament calls for payments from the Structural Funds to be subject to increased conditionality monitoring so as to ensure that the rules on the proper use of Structural Funds are complied with in all Member States.

**Commission's response:**

*The requested action has been taken. Based on the understanding that the "conditionality monitoring" refers to the Commission's policy to interrupt and suspend payments as soon as irregularities and/or weaknesses in management and control systems are detected and as long as these irregularities/weaknesses are not corrected the Commission refers to its reporting in the Annual Activity Report of the structural funds DGs on the strict policy to apply the tools.*

105. (§ 188) The Parliament calls on the Commission to assist Member States in drafting comprehensive, meaningful and comparable audit control reports, including a chapter

on the contributions Union funds have made in the respective countries to attain the Europe 2020 objectives, both at national and regional level, considering each region's individual potential for development and its possible transformation in an economic growth centre.

**Commission's response:**

*Concerning the Commission's assistance to Member States for drafting Annual Control Reports, the Commission refers to the COCOF guidance note of 18 February 2009 (COCOF 09/0004/01), which provides general guidelines for the drafting of the Annual Control Reports, to the guidance note on the treatment of errors in the Annual Control Reports (COCOF 11/0041/01) and to the guidance note on sampling methods (COCOF 08/0021/02 – currently under revision), which has significantly contributed to the improvement of the reliability and consistency of the Annual Control Reports. Furthermore, regular support is provided to the national audit authorities through multilateral technical meetings, the Annual Coordination meetings, the annual Homologues Group meeting and various training sessions organised by the Commission services.*

*However, the recommendation is unclear since audit control reports by Member States are about legality and regularity and not about performance auditing. Other tools are foreseen in the proposals for the 2014-2020 period to report on results. Therefore, the Commission is not in a position to agree to the recommendation for comprehensive, meaningful and comparable audit control reports including a chapter on the Europe 2020 objectives. However, the Commission will assist the Member States by providing in the implementing acts for 2014-2020 for comprehensive, meaningful and comparable Annual Control Reports. As it concerns the reporting on the contribution EU funds make to attain Europe 2020 objectives, the Commission will require Member States to report on in the Annual Implementation Reports, based on a stricter approach to indicators and results in the Commission proposal for 2014-2020.*

106. (§ 191) The Parliament shares the Court of Auditors' view that the Commission should further reinforce the present sanction system (interruption, suspension, financial corrections) by reducing the possibility of replacing ineligible expenditure with other expenditure during the next programming period thereby creating an additional incentive for Member States to detect and correct errors at an early stage.

**Commission's response:**

*The Commission considers that Member States should have the right to substitute ineligible expenditure they detect with legal and regular one in order to optimise the use of Cohesion spending, which contributes to its added value and to ensure efficient controls at Member State level. However, the Commission heard the EP's call for stricter provisions. Its proposal for the 2014-2020 regulatory framework provides that “Where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the European Court of Auditors, the resulting financial correction shall reduce support from the Funds to the operational programme (Art. 137.6)” thereby limiting the possibilities of withdrawal / replacement to the on-going financial year. This provision on net financial corrections is intended as an incentive for expenditure included in the annual certified accounts to be legal and regular.*



107. (§ 192) The Parliament calls on the Commission, in consultation with the Court of Auditors, to establish a transparent system which allows, on the one hand, taking into consideration annual financial corrections but also, on the other, financial corrections during the life span of a programming period.

**Commission's response:**

*The requested action has been taken. The Commission recognises the crucial importance of a solid reporting in this area as a mitigating impact of its corrective mechanisms against the Court's reported error rate and is, under the lead of DG BUDG, already working on this. See also the Commission's reply that relates to the 2011 EP discharge recommendation 1(a). For 2007-2013 programmes, DG REGIO has introduced in its 2011 AAR a stronger annual supervision based on a cumulative residual risk of error year after year, so that at closure only residual problems will remain to be solved. The cumulative residual risk is estimated for all programmes, based on the best available sources of information (validated error rates, withdrawals, recoveries and pending recoveries). This estimated cumulative residual risk is used to confirm whether corrective measures already implemented by Member States had adequately mitigated the risks of irregularities since the beginning of the programming period. As a general rule, a cumulative residual risk above 2% leads to reservation for the concerned programme. This will allow identifying the residual risk after all corrections were taken during programme implementation.*

*As regards financial correction at the end of a programming period, the Commission carried out an "accounting exercise" for the 2000-2006 period, on financial corrections implemented during the lifetime of the programmes and at closure. The report has been provided to Parliament on 12 April 2013.*

108. (§ 193) The Parliament calls on the Commission to assist Member States in rendering first-level controls and national audit authorities more effective by exchange of best practice and closer cooperation between the Commission, the Court of Auditors and national authorities ('tripartite meetings').

**Commission's response:**

*The Commission agrees that tripartite meetings between Court, MS and the Commission in the context of the DAS audits are helpful to ensure that the Court's findings are based on mutually agreed evidence. However, the Commission experienced that the Court of Auditors is increasingly reluctant since the 2012 DAS to keep this element in the contradictory procedure. The EP is, therefore, asked to address its request to the Court directly.*

*The Commission continues to remind Member States authorities that they should carry out proper and sufficient management verifications, before accepting and declaring expenditure submitted by beneficiaries. Audit Authorities continuously review this key requirement in the systems through audits on statistical sample of operations each year. When serious deficiencies are detected, the Commission interrupts/suspends payments for Structural or Cohesion Funds and imposes financial corrections, when necessary.*

*The Commission has taken action to improve management verifications and the certification of expenditure to the Commission under its 2008 Action Plan, including improved guidance, advice, training and audits focussed on high risk*

*areas. However, administrative capacity in some Member States and/or programmes needs to be improved further, to make sure that Managing Authorities are adequately staffed or that they address the problems connected to the high turnover of staff in some administrations. But Member States also need to provide training at their turn at all administrative layers, in order to ensure that rules are properly known and implemented, particularly in case of staff turnover. To help them, DG REGIO has set-up in August 2012 a special competence centre for administrative capacity building.*

*The Commission will continue to verify the functioning of the management and control systems in the Member States through all audit results available at EU and national levels, including reported error rates, and to take action when necessary.*

*With a view to the next programming period, the Commission has proposed to build up on experience to reinforce systems to ensure legality/regularity across programmes and improve further management accountability. The formal certification of annual accounts once all national controls have been done, combined with the 10% retention mechanism on interim payments, net corrections following Community audits once accounts have been accepted and the requirement of annual management declarations by managing authorities are meant to offset the risk that expenditure claimed are not legal and regular and to improve accountability at national level.*

109. (§ 194) The Parliament calls on the Commission to start the preparation of a "best practices" manual from the current programming period, incorporating practical results, achieved effect and lessons learnt in order to optimise the absorption process and to decrease the level of error rates; notes that in this regard, the potential future beneficiaries for the next programming period 2014-2020 would profit.

**Commission's response:**

*The Commission is taking the requested action. It will provide the appropriate guidance, manuals and trainings for the next programming period to ensure that the MS authorities are aware of the legal requirements and procedures to fulfil their obligations under the system of shared management. These documents will built on the experience made by the Commission and MS authorities in the current and previous programming periods and include "best practices" to stimulate mutual learning across Europe.*

## Employment and social affairs

110. (§ 206) The Parliament recalls the need to monitor and measure the performance of financial instruments against policy goals - Europe 2020 objectives - in order to be able to identify shortcomings and to make progress; calls for performance information and data be available on annual basis.

**Commission's response:**

*The Regulation (EU) No 1310/2011 of 13 December 2011 amending Council Regulation (EC) No 1083/2006 as regards repayable assistance, financial engineering and certain provisions related to the statement of expenditure have introduced new reporting requirements for financial instruments both to be included in the annual implementation reports of the operational programmes and to be attached to each statement of expenditure including costs declared in relation to financial engineering instrument. The amended regulation also provides for an annual summary of the data collected by the Commission each year.*

*The progress of implementation is monitored through the evolution of the amounts paid to and from each financial instrument.*

*For the next programming period, the Commission has propose to maintain and even extend the reporting requirement, putting further emphasis on the monitoring of performance, through information relating to the multiplier effect and the contribution of the achievement of the indicators or the programme or priority.*

111. (207) The Parliament calls on the Commission to propose, and on the Council to agree on, accurate payment appropriations in annual budgetary procedure in order to avoid uncertainty and unnecessary procedural burden on the budgetary authority and provide beneficiaries with timely payments.

**Commission's response:**

*The Commission proposed payment appropriations in the 2012's annual budgetary procedure and the amending budgets to provide Member States and beneficiaries with timely payments. These proposals were based on the rollover from 2011, the 2012's forecasts of the Member States and on the follow-up of implementation on the ground.*

*However, the final budget 2012 approved by the budgetary authority was not up to the level requested by the Commission and a considerable part of payments had to be postponed until 2013.*

*In 2013, the budgetary authority did not allocate in its initial budget the budget requested by the Commission. The Commission corrected this through a Draft amending budget 2 which aims at covering the obligations (commitments) which have to be covered in 2013. The Commission hopes that the budgetary authority will be able to adopt this amending budget.*

112. (§ 211) The Parliament reiterates its call to ensure, in the light of implementation, an orderly progression of the total appropriations for payments in relation to the appropriations for commitments, so as to avoid any abnormal evolution of outstanding commitments (RAL) (65 % of the total volume of the Cohesion Funds at the end of 2011).

**Commission's response:**

*For the 2007-2013's ESF programming period DG EMPL ensures an orderly progression of the total appropriations for payments in relation to the appropriations for commitments based on the regulatory framework of the ESF (annual commitments, automatic de-commitment at the end of N+2/3).*

*For the 2000-2006's ESF programming period accelerated the closure process, so that the huge majority of the closure files could be closed by the end of 2013, and so the amount of the outstanding commitments would be decreased.*

113. (§ 218) The Parliament calls on the Commission to assist Member States in drafting comprehensive, meaningful and comparable audit control reports, including a chapter on the contribution Union funds made in the respective Member State to attain the Europe 2020 objectives (see also para 188).

**Commission's response:**

*The Commission refers to the COCOF Guidance note of 18 February 2009 [COCOF 09/0004/01], which provides general guidelines for the drafting of the Annual Control Reports (ACR) and to the sampling guidance issued in 2012, which has significantly contributed to the improvement of the reliability and consistency of the ACRs. Furthermore, regular support is provided to the national audit authorities through the Annual Coordination meetings, the Homologues meeting and various training sessions organized by the Commission services.*

*For example, DG EMPL has either organized or participated in 2012 in numerous training sessions, such as: the annual meeting of the Italian audit authorities in Ferrara (17-19/10/2012); various training and information sessions given to Spanish Audit Authorities ; several presentations on simplified costs (both for MA and AA) in Hungary, Bulgaria, Spain, Portugal, Italy, Croatia and Romania (last 2 in 2013); Homologues meeting in Vilnius 23-26/09/2012; Technical working group on sampling (Brussels) 30/11/2012; annual technical meeting with the audit authorities (Brussels) 4/6/2012. Looking forward, two training sessions on sampling methods are planned for the German (16/4/2013) and Spanish (24/4/2013) audit authorities.*

*The contribution the funds make towards attaining the 2020 strategy objectives is addressed in the Annual Implementation Reports of the Member States, for each OP. The Commission attaches great importance to the role of European funding for making progress in the attainment of the 2020 strategy priorities.*

114. (§ 220) The Parliament shares the Court of Auditors' view that the Commission should further reinforce the present sanction system (interruption, suspension, financial corrections) by reducing the possibility of replacing ineligible expenditure with other expenditure during the next programming period thereby creating an additional incentive for Member States to detect and correct errors at an early stage (see also para 191).

**Commission's response:**

*The Commission will continue its strict approach to interruptions, suspensions and financial corrections under the current regulatory framework.*

*The Commission's proposal for the new general regulation for 2014-2020 programming period included a limitation to the possibility for the MS to re-use*

*legally ESF credits released through their own corrections withdrawal/replacement mechanism): "When irregularities are detected by the Commission in completed operations that have been included in annual accounts submitted to the Commission, any financial correction subsequently made by the Commission would be a net correction".*

*The results of the co-decision procedure will determine how this proposal will be integrated in the next regulatory framework.*

115. (§ 221) The Parliament calls on the Commission and the Court of Auditors to establish a transparent system which allows, on the one hand, to take into consideration annual financial corrections but also, on the other, financial corrections during the life span of a programming period (see also para 192).

**Commission's response:**

*For the 2000-2006 programming period, the assessment of closure documents by the Commission's services will allow the determination of a residual error rate on each operational programme, which takes into account all financial corrections made on the operational programme life span and possible financial corrections made by the Member State during the closure process at the request of the Commission to compensate for uncorrected identified errors and system deficiencies. Where Member States would not proceed with the necessary financial correction based on the Commission's proposal in the closure letter, the Commission will adopt a formal financial correction decision.*

*Concerning the 2007-2013 programming period, for the purposes of the AAR, the Commission points out to the improved methodology applied by DG EMPL and DG REGIO in their respective 2011 AAR in order to determine the need or not for a reservation for each OP, where the residual error rate is calculated taking into account all financial corrections implemented throughout the life span of the OP.*

116. (§ 222) The Parliament calls on the Commission to assist Member States in rendering first-level controls and national audit authorities more effective by exchange of best practice and closer cooperation between the Commission, the Court and national authorities ("tripartite meetings") (see also para 193).

**Commission's response:**

*The Commission considers tripartite meetings as an important educational tool for managing authorities, which have to implement the Court's recommendations. The Commission underlines the critical importance of the tripartite meetings as part of the contradictory process, and emphasizes the role of Tripartite meetings as an effective way of enhancing mutual understanding, contributing to a "sense of responsibility" on the MS concerned and allowing to clarify complex issues.*

*In order to address the finding of the Court of auditors according to which 76% of the errors found in DAS 2011 could have been detected by the managing authorities before the certification of payment claims to the Commission, on 12 Nov 2012, DG EMPL's Director General sent a letter to all Managing Authorities drawing their attention to the need to improve the reliability of the management verifications and calling upon them to strengthen existing procedures and practices. DG EMPL is also carrying out a number of thematic audits on the effectiveness of first-level checks in a set of operational programmes selected on a*



*risk basis; the audit plan for 2013 includes 8 missions on 8 OPs on this subject. 6 missions took place in the first semester and 2 are foreseen in November.*

*In line with the pilot actions already undertaken by DG EMPL for Spain and Italy in 2011-2012, the Commission intends to continue to provide specific support to national authorities on the most problematic operational programmes, including the review of national eligibility rules, where appropriate, in particular when their complexity results in systemic, recurring errors.*

*The Commission will also continue encouraging and supporting national authorities in their efforts to implement simplified costs options.*

## Bulgaria and Romania

117. (§ 224) The Parliament calls on the Commission to steadfastly and determinedly insist, as far as the Romanian Government is concerned, especially in the light of Romania's capability to protect the financial interest of the Union, that the Commission's recommendations relating to the Cooperation and Verification Mechanism are complied with and clarified; expects, finally, a series of measures from the Commission, in cooperation with the Romanian government, aimed at improving the integrity of the Romanian legal system.

**Commission's response:**

*The Commission considers that the Cooperation and Verification Mechanism (CVM) has been instrumental to progress in Romania on judicial reform and the fight against corruption. It remains an appropriate tool to assist in reform efforts in order to achieve a record of concrete and lasting results in line with the objectives of the Mechanism. The Commission is of the view that further acceleration of efforts to address all the recommendations set out in the CVM reports is needed and will continue to cooperate with the authorities of Romania to make concrete improvements, and to monitor the situation closely. The Commission intends to present the next CVM report around the end of 2013.*

118. (§ 225) The Parliament notes with concern the Commission's Report on the progress made by Bulgaria under the Cooperation and Verification Mechanism with a view to further efforts needed in order to demonstrate tangible results in the monitored sectors; calls upon the effective implementation of the established legislative and institutional framework; calls on the Commission steadfastly and determinedly to insist, as far as the Bulgarian institutions are concerned, that the Commission's recommendations are complied with; expects, finally, a series of measures from the Commission, in cooperation with the Bulgarian judiciary, to improve the integrity of the Bulgarian legal system.

**Commission's response:**

*The Commission considers that the Cooperation and Verification Mechanism (CVM) has been instrumental to progress in Bulgaria on judicial reform, the fight against corruption and the fight against organised crime. It remains an appropriate tool to assist in reform efforts in order to achieve a record of concrete and lasting results in line with the objectives of the Mechanism. The Commission is of the view that further acceleration of efforts to address all the recommendations set out in the CVM reports is needed and will continue to cooperate with the authorities of Bulgaria to make concrete improvements, and to monitor the situation closely. The Commission intends to present the next report under the CVM around the end of 2013.*

## Control of Structural Funds in the Czech Republic

119. (§ 226) The Parliament takes note that an Action plan has been implemented by the Czech government in 2012; notes with concern the centralisation of the audit activities under the main audit authority in the Czech Ministry of Finance since the Court of Auditors reported that this audit authority was ineffective; calls on the Commission to report to the discharge authority on adjustments concerning the staff of the audit authority, based on the Czech Government's analysis, as requested in the Action Plan.

### Commission's response:

*The Commission will not be taking the requested action. The deficiencies in relation to the Czech audit authority (AA) were not linked to the staff but to the structure. They were mainly due to the lack of independence of the Delegated Audit Bodies (DAB) which were located in and under the authority of the managing authorities and due to the lack of supervision by the central audit authority of the work carried out by the DABs. Therefore, the centralisation of the AA and the integration of the former DABs into the central AA was considered as essential to address the deficiency. This constituted part of the action plan requested from the Czech authorities, together with financial correction and other actions, to solve the deficiencies and to allow the Commission to resume payments. The Commission notes that the EP (CONT committee) organised a hearing with the Czech Minister of Finance on 21/11/2012 in this regard, who could provide all necessary explanations to the Honourable Members.*

*See also reply to § 227.*

120. (§ 227) The Parliament takes note that the Commission has not applied any corrections due to the ineffectiveness of the audit system in the Czech Republic; notes, however, that the Commission applied corrections for some of the operational programmes, mainly due to shortcomings in the functioning of the management and control systems (errors in public procurement and the selection of operations); notes that the corrections applied can be allocated to other projects; is worried about information reported initially by the Court of Auditors which suggested that the Czech Ministry of Finance used its role as an audit authority and certification authority to influence the final error rate; requests that the Commission report back to Parliament in detail on the matter; calls on the Commission to elaborate in cooperation with the Czech Government and to follow up on the implementation of an existing Action plan that tackles the shortcomings in the Audit system at the core.

### Commission's response:

*The Commission will not be taking some of the requested actions while it considers that some have been implemented ("to elaborate" [...] "and to follow up on the implementation of an existing Action plan") as detailed below. The statement that the Commission did not apply any correction due to the failure of the audit system is not correct. The flat rate corrections applied for OP Transport and OP Environment were due to the following reasons:*

- *Lack of independence of the DABs*
- *Lack of guidance and supervision of the DABs by the AA*
- *Deficiencies in the system for treatment of irregularities and recoveries*

- *Weak management verifications*

*Concerning the remaining Operational Programmes, the central AA has been requested to re-perform on basis of a representative sample the work of the DABs. Based on the outcome of this exercise additional financial corrections might be applied due to deficiencies in the audit system.*

*Concerning the statement that the corrections applied can be allocated to other projects, it is important to point out that the corrections have been applied by the Czech authorities under Article 98 of Regulation 1080/2006 and not by the Commission. These other projects have to be new and eligible and cannot be affected by the system deficiencies (Article 98.3 of Regulation 1080/2006). Moreover, the Member State has to ensure that the new operations are free of irregularities under the new management and control system.*

*Concerning the Ministry of Finance using its role as an audit authority and certifying authority to influence the final error rate, the Commission considers, based on the last Annual Control Reports, that this is not anymore the case except for one OP.*

*Finally, as to the need to implement an action plan, according to the Commission the deficiencies in the audit authority have already been addressed by the action plan implemented in 2011-2012 as it covers the lack of independence of the DABs, the lack of guidance and supervision by the AA and the deficiencies in the system for treatment of irregularities and recoveries. However, during 2013 DG REGIO will follow-up the implementation of these corrective measures, and especially the results of the re-performance of the audits of the DABs by the AA, through its audits missions.*

*See Commission's reply to § 336.*

## Gender issues

121. (§ 231) The Parliament reiterates its call for further efforts to develop gender-specific data, which allow proper monitoring of how budgetary allocations affect the economic and social opportunities of women and men, that can be included in the reports on the implementation of the budget; underlines that the new Multiannual Financial Framework provides an opportunity to develop and introduce such data, and implement gender budgeting as a tool for good governance

**Commission's response:**

*The Commission is partly taking the recommended action.*

*The new legal bases proposed by the Commission for the Multiannual Financial Framework 2014 -2020 have identified gender equality as a cross-cutting objective for all relevant policy areas, including fundamental rights and citizenship, employment and social inclusion, cohesion policy, education, research and innovation, and external cooperation. Building upon these provisions, the Budgetary Circular for Draft Budget 2014 included a specific instruction to DGs and Services to present, where appropriate, gender equality objectives and linked expenditure-related outputs in the Programme Statements which will justify the Commission's annual Draft Budget in the 2014-2020 period. Training courses also gave indication to that end. To the extent gender equality objectives are included in relevant Programme Statements, the related performance information will be taken into consideration by the Commission when justifying the appropriations under the relevant policy areas. Reporting on the achievements of the objectives included in Programme Statements taking into account the corresponding resources used will be incorporated in the Annually Activity Reports of DGs and Services and possibly also in the Synthesis Activity Report presented by the Commission to the Budgetary Authority.*



## External relations, aid and enlargement

122. (§ 235) The Parliament stresses the need for greater transparency in the management of funds allocated to election observation missions; calls on the Commission to send a report to the budgetary authority for each financial year on the costs incurred for each mission, detailing all the budget items, including costs associated with external service providers

**Commission's response:**

*FPI has committed itself to produce each year a paper analysing the budget structure of EU EOMs in order to facilitate the EP's examination of the relative costs of the missions. The first such paper has been sent to the EP at the end of July.*

123. (§ 242) The Parliament is concerned that EuropeAid's and DG ECHO's supervisory and control systems were again found to be only partially effective; points, in particular, to the need to improve those systems in delegations; calls on the Commission to set aside sufficient resources for delegation staff to perform monitoring and supervision activities in a timely and satisfactory manner.

**Commission's response:**

*Alike other Commission services, DG DEVCO is also subject to staff reductions under the general Commission policy on the management of human resources. DG DEVCO, with the close involvement of its staff in Delegations, has carried out in 2012 a workload assessment exercise. As a result, the services are now in the process of implementing the Commission Decision of July 2012 on the workload assessment, releasing posts where workload has reduced and transferring them to Delegations where they are most needed. In consequence, resources will better meet the needs in the field once this operation is finalised.*

124. (§ 243) The Parliament calls on the Commission to continue investing in the improvement of data quality and the development of CRIS functionalities, in particular linking audit findings to the recovery of funds.

**Commission's response:**

*The Commission will maintain the on-going efforts with data monitoring and improvement of data validation processes in CRIS.*

*A rationalisation and centralisation of data codes will be achieved by March 2014. Data quality controls and correction procedures will also be put in place. The set of specific actions related to the findings identified by the Court of Auditors will be implemented until end of 2014.*

*The Commission has already established a link between audit financial findings and recovery orders as required by the European Parliament.*

125. (§ 246) The Parliament notes that in 2011, the first full year of operation of the European External Action Service (EEAS), EEAS and Commission staff in delegations were separated in terms of their allocation and funding; is concerned that in 2011, at least 43 person-years allocated to EuropeAid were used by the EEAS, over and above the agreed flexibility limits defined in the Working Arrangements negotiated between both organisations; urges the EEAS and the Commission to fully respect the Working Arrangements, seeing in particular to the fact that EuropeAid

staff focus on ensuring appropriate aid management, in order to avoid putting the sound financial management of Union's assistance at risk.

**Commission's response:**

*The cases mentioned in this recommendation have been followed-up and corrective actions taken. In the context of the 2012 EAMR, the issue of the flexibility arrangements has been evaluated again, further to which the delegations concerned have received instructions from HQ in order to implement some further corrective actions.*

*In order to follow-up their implementation as well as to keep on monitoring the application of the flexibility arrangements in all delegations, a new KPI will be added to the upcoming EAMR. As a result of this, Heads of Delegations will have to commit to the application of the flexibility arrangements in their Delegation, as set out in the joint instruction note to all Heads of Delegations, issued in December 2011 by the SG of the COM and the COO of the EEAS, outlining the flexibility arrangements for the management of staff in Delegations (Ares(2011)1392088).*

126. (§ 248) The Parliament urges the Commission and the EEAS to focus more on results and impact measurement in the design of the new spending programmes under the next Multiannual Financial Framework (MFF) for the period 2014-2020, inter alia by using pre-defined, country-specific, clear, transparent and measurable indicators adapted to the specificities and objectives of each instrument; supports the Court of Auditors' recommendation that the Commission should define policy objectives to demonstrate better how it secures Union added value during the next programming period; reiterates its call for associating all relevant stakeholders, including civil society and local authorities in partner countries, in the evaluation phase of Union's assistance.

**Commission's response:**

*As the Commission announced in its 'Agenda for Change' Communication, it will strengthen the focus on results. It will do so in various ways, including in the programming documents for the period 2014-2020, which are to make best possible use of indicators used by the countries themselves. The Commission has set out in the Agenda for Change on which policy areas and sectors it considers it should focus over the next programming period the EU-funded assistance and where the EU can have added value. This will need to be further worked out in the programming documents for the period 2014-2020. It is standing practice to associate the relevant stakeholders to the evaluation of the Union's assistance.*

127. (§ 250) Following the creation of the EEAS, the Parliament requests a clear allocation and coordination of roles and responsibilities of the Commission and the EEAS as regards programming and implementation of the budget in third countries

**Commission's response:**

*The roles of the Commission and the EEAS as regards the programming and the implementation of the budget in third countries are clearly defined. The basic principles and practical implementation modalities with regards to the relationship between the Commission DGs and the EEAS can be found in the "Working arrangements between Commission services and the European External Action Service in relation to external relation issues" (SEC(2012/48)).*

128. (§ 251) The Parliament asks the Commission to report before July 2013 on the number of NGOs to which the Union contributes but which do not generate any revenue other than funding from government agencies.

**Commission's response:**

*In accordance with article 35 of the Financial Regulation, DG DEVCO publishes a yearly list of contractors and beneficiaries on this web address: <http://ec.europa.eu/europeaid/work/funding/beneficiaries/index.cfm?lang=en>.*

*Furthermore DEVCO publishes a yearly and more specific list of non-for-profit NGOs it funds, containing the list of such grants awarded between January 1 and December 31 of each year through the different instruments and programmes. That list is available for the years 2011 and 2012 at the following web addresses:*

*[http://ec.europa.eu/europeaid/what/civil-society/documents/contracts\\_signed\\_in\\_2011.pdf](http://ec.europa.eu/europeaid/what/civil-society/documents/contracts_signed_in_2011.pdf)*

*and*

*[http://ec.europa.eu/europeaid/what/civil-society/documents/contracts\\_signed\\_in\\_2012.pdf](http://ec.europa.eu/europeaid/what/civil-society/documents/contracts_signed_in_2012.pdf).*

*Following the Financial Regulation, a grant is approved only for a project which does not generate any revenue. This is not directly linked to the legal status of the organisation.*

129. (§ 252) The Parliament calls for a detailed summary of the allocation of funding in Libya; calls for clarification as to whether the subdelegation of the Union ambassador in Libya has been revoked.

**Commission's response:**

*In 2011, funding for Libya was gathered from a range of instruments to support the democratic transition: ENPI: €11 million (needs assessment, institutional building, civil society, education); NSA: €3 million (support to civil society); EIDHR: €3.2 million (elections, media, women's rights, torture); IFS: €3.4 million (civil society, reconciliation); Tempus: one project € 0.4 million (quality assurance).*

*The previous Head of Delegation of the EU Delegation in Tripoli / Libya resigned from his post in January 2013. Until his resignation, he was authorizing officer by sub-delegation.*

*A new Head of Delegation, Mrs Natalya APOSTOLOVA, has been appointed by the HR/VP in May 2013. She will take up her duties in July and she will be authorizing officer by sub-delegation for operational and administrative expenditures.*

130. (§ 253) The Parliament calls on the Commission to use a 'traffic light' system in the progress reports, for ease of reference, in order to show what has improved or deteriorated from one year to the next.

**Commission's response:**

*Main Key Performance Indicators (or Key Assurance Indicators) included in the External Assistance Monitoring Reports elaborated by the EU Delegations will be assessed each year against annual benchmarks defined by DG DEVCO. The assessment will be done using a "traffic light" type of system.*

## Aid to Haiti

131. (§ 257) The Parliament urges the Commission to carry out the postponed first ever overall impact evaluation of the Union's aid programme for Haiti in 2013 and to produce a report on this for the discharge authority

**Commission's response:**

*See reply to the request made in § 256: The assessment is ongoing and the final report is expected in the second quarter of 2014.*

132. (§ 254) The Parliament urges the Commission to make public the performance indicators for the budget support to the Republic of Haiti and the respective assessments of the Government of Haiti's performance in order to qualify for budget support.

**Commission's response:**

*The Commission is pleased to inform that the Action Fiche for the 2010 programme HAITI - Programme d'appui budgétaire général au Plan d'Action et de Reconstruction (PARDH) et à la Stratégie Nationale de Croissance et de Réduction de la Pauvreté (SNCRP), including the assessment of eligibility for Budget Support, has been published under:*

*[http://ec.europa.eu/europeaid/documents/aap/2010/af\\_aap-spe\\_2010\\_hti\\_p2.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/af_aap-spe_2010_hti_p2.pdf)*

133. (§ 255) The Parliament notes that new criteria for budget support are set out in the Commission's policy 'The future approach to EU budget support to third countries'; calls on the Commission to apply these criteria from 2013 onwards in a transparent way to the budget support for the Government of Haiti.

**Commission's response:**

*New Budget Support modalities are applied for all new Budget Support programmes signed as of 1st January 2013.*

134. (§ 256) The Parliament calls on the Commission to publish the list of Union funded projects in Haiti without delay and to provide an assessment of the sustainability of these projects in a five-year perspective.

**Commission's response:**

*A list of Union funded projects in Haiti has already been submitted to the Parliament. The assessment is ongoing: the final report is expected in the second quarter of 2014.*

135. (§ 258) The Parliament urges the Commission to take recommendations of the Court of Auditors, contained in its Special Reports Nos 1/2012 and 13/2012 on the Effectiveness of European Union Development Aid for Food security in Sub-Saharan Africa and on the European Union Development Assistance for Drinking Water Supply and Basic Sanitation in Sub-Saharan Countries on board in order to maximise the benefits from Union's development expenditure.

**Commission's response:**

*The Commission is taking on board the recommendations of both ECA Special Reports, in order to maximize the benefits of its development aid, through the elaboration of appropriate and well-defined action plans addressing the Court's*

*findings. DG DEVCO is regularly monitoring and reporting on the timely implementation of these action plans.*

136. (§ 259) The Parliament welcomes the creation, under the new Financial Regulation (EU, Euratom) No 966/2012, of Union Trust Funds, which will increase the visibility of Union action and allow for stricter control over the delivery chain of Union funds; asks the Commission to report to Parliament on the effectiveness of those funds.

**Commission's response:**

*Apart from the cases of sudden crisis that cannot be predicted, the creation of the first EU Trust Funds is not expected before 2014 with the new Multi-Annual Financial Framework. The Commission proposes to report on the effectiveness of the EU Trust Funds created within the then on-going discharge exercise.*



## Research and other internal policies

137. (§ 261) The Parliament calls on the Commission to review the distribution of Commissioners' portfolios in order to better reflect competences distribution of the committees of Parliament and, as it is, wide spread practice in Member States.

**Commission's response:**

*The Treaty establishes explicitly that it is for the Commission President to decide on the internal organisation of the Commission and to appoint Vice-Presidents (Art 17(6)TEU). This provision is particularly important in the context of the Union's specific institutional setting. The Parliament and the Commission agreed in the Framework Agreement on the relations between the Parliament and the Commission that the procedures relating to giving Parliament's consent to a new Commission shall be designed in such a way as to ensure that the entire Commission-designate is assessed in an open, fair and consistent manner (point 3 of the Framework Agreement).*

138. (§ 264) The Parliament calls on the Commission to accept no excuses from the Lithuanian Government which would cause the authorisation and the project of dismantling the Ignalina Nuclear Power Plant to be further delayed; asks that the Commission set down a rigid timetable and threaten to impose sanctions if it is not adhered to.

**Commission's response:**

*The Commission will not be taking the requested action. The reason for this is that it cannot impose a timeschedule on the Ignalina Nuclear Power Plant (INPP). The responsibility and safety is under the full responsibility of INPP.*

*The Commission also cannot unilaterally penalise Lithuania in case a contractor is underperforming.*

139. (§ 270) The Parliament calls on the Commission to bring the supervisory and control systems under the Competitiveness and Innovation Framework Programme (CIP) - ICT Policy Support programme (ICT-PSP) up to speed without delay.

**Commission's response:**

*The Commission is taking note of the Parliament recommendation. It is indeed to be recognized that there were limited cases of financial actors' non-synchronization between ABAC and iFlow, as observed by the European Court of Auditors. However, it has been proven that the latter did not imply financial or control weaknesses. The Research DGs, including DG CONNECT, are currently developing a new common IT system (called JAGATE) which will address the issue of visas in the accounting systems. The JAGATE technical solution will be in place for the next Research framework programme, Horizon 2020. Other measures taken internally in DG CONNECT in order to ensure a coherent handling of financial files are the OSAFU meetings, the current revision of the available guidance notes regarding the Competitiveness and Innovation Framework Programme (ICT Policy Support Programme (ICT-PSP) included) and the annual CIP Coordinators' Day, which is also a part of the strong supervision and control system in place.*

*The Commission (DG CONNECT) has also adopted an audit strategy covering the non-research strand of the DG's spending aiming at providing assurance to the DG's Director-General as to the management of the non-research funding.*

*The launch of 35 audits per year is foreseen in the timeframe 2012-2017 (a total of 215 audits). The strategy is in practice effectively in place starting from the second half of 2012 in order to provide the necessary input for AAR2013. The first results have been already delivered since the procedures concerning nine of these audits have been finalised.*

140. (§ 272) The Parliament calls on the Commission to improve its budgetary planning concerning chapter 18 02 – Solidarity – External borders, return, visa policy and free movement of people for the security and economy of the Union.

**Commission's response:**

*The requested action has been taken. The Commission (DG Home Affairs) has reached for consecutive years high implementation rates both for commitments and for payments for budget line 18.02: for commitment appropriations 97,07% in 2012 and 98,42% in 2011; for payment appropriations 96,55% in 2012 and 92,46% in 2011). The improving of budgetary implementation remains an on-going and constant preoccupation for DG Home Affairs.*

141. (§ 273) The Parliament takes note of the reservations made by the Commission's Directorate-General for Home Affairs in its annual activity report of 2011 regarding the reputational risks due to delays in implementing SIS II; takes note of the financial risk resulting from the residual error rate in the non-audited population of grants of the financial programmes "Prevention, preparedness and consequence management of terrorism and other security related risks" and "Prevention of and fight against crime"; calls on the Commission to pursue the corrective measures announced.

**Commission's response:**

*The requested action has been taken. With regard to the financial risk resulting from the residual error rate in the non-audited population of grants of the financial programmes "Prevention, preparedness and consequence management of terrorism and other security related risks" and "Prevention of and fight against crime", DG Home Affairs was able to lift this reservation in its 2012 Annual Activity Report, following the full implementation of the measures announced. With regard to the reputational risks due to the delay in SISII, DG Home Affairs implemented the actions described in its 2011 Annual Activity Report and therefore the risks described were mitigated. Nevertheless, in its 2012 Annual Activity Report DG Home Affairs maintained the reservation on the basis of two new reputational events which appeared very late in 2012. The action plan to mitigate the respective risks has also been successfully implementing, with the system going live on 9 May 2013.*

142. (§ 274) The Parliament recognises that the number of participants in the Seventh Framework Programme (FP7) has significantly increased to almost 20 000 and that inexperience, in combination with a complex set of rules, could lead to errors; encourages the Commission to continue to provide guidance and feedback to participants.

**Commission's response:**

*At the end of 2011 the Commission launched an initiative to provide more guidance to participants and independent auditors.*

*In this context, a document setting out the most common errors identified in cost claims and how to avoid them is available to all Framework Programme participants in Cordis – the Community Research and Development Information Service web site - ([ftp://ftp.cordis.europa.eu/pub/fp7/docs/avoid-finance-errors-fp7-2012-03-19\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/avoid-finance-errors-fp7-2012-03-19_en.pdf)).*

*Furthermore, there have been 22 events covering 22 Member States and associated countries. These seminars, aimed at participants and their auditors, have been attended by 3500 participants and this will continue in 2013.*

*Additionally, the Commission services are now writing directly to independent certifying auditors if their own audit reveals different results.*

*Furthermore, the "Research Enquiry Service" replies to any questions from the certifying auditors*

143. (§ 275) The Parliament believes that the Commission must focus on giving guidance on the professional qualifications of private auditors and providing additional expertise.

**Commission's response:**

*See response to § 274.*

144. (§ 280) The Parliament urges the Commission to improve cooperation among all the directorates-general and other bodies involved, and render the division of labour, decision-making procedures and lines of responsibility between them more transparent.

**Commission's response:**

*There are already a variety of mechanisms in operation to ensure co-operation among all the services involved in managing the framework programme.*

*These were set out in detail in a note delivered to the Budgetary Control Committee and the rapporteur for the discharge 2011 during the discharge procedure.*

*However, the Commission is conscious that, especially with the potential for more actors to be involved in Horizon 2020, these mechanisms need to be improved.*

*This was firstly done in the Horizon 2020 legislation, which brings together many elements that are different today within one single regulatory framework.*

*Secondly, it is committed to ensuring a common IT platform, and common business processes, across the research family. It is exploring the setting up of common services across the research family in areas such as, for instance, audit and legal affairs.*

*These developments should improve efficiency and decision making, and ensure a harmonised approach to beneficiaries.*

## Education and culture

145. (§ 282) The Parliament calls on the Education, Audiovisual and Culture Executive Agency (EACEA) to revise the one-sided and inadequate financial ratios established in order to evaluate the financial situation of beneficiaries and to decide upon the level of grant instalments, even jeopardising projects selected by not granting the usual payment of first instalments and waiting till the project is finished and reported back.

**Commission's response:**

*The current system for evaluating the financial capacity of applicants has been reviewed and a new draft procedure prepared. The draft procedure is currently being validated by the Agency's internal working group created for this purpose and will be adopted most likely in the second part of the year. The main objectives of the draft are to simplify the process while aligning with the new requirements of the Financial Regulation 2012. The new procedure aims to address also the specificities of some regular groups of applicants benefiting from EU grants managed by the Agency (e.g. sole traders, SMEs, etc.).*

146. (§ 283) The Parliament encourages the EACEA to further improve its control systems, to adapt them to the different kinds of beneficiaries, and to raise awareness of their financial obligations and controls.

**Commission's response:**

*Following the reserve made in the last 3 Annual Activity Reports in relation with high errors rates, in particular for the LLP programme, the Agency adopted an action plan which foresees to improve the clarity of documents, to provide beneficiaries with a dedicated "Info kit" with clear explanations on some financial rules and to review its desk control strategy and introduce, as from 2013, audit certificates for grants above 60.000€ and targeted controls for grants below 60.000€.*

*This action plan was implemented in conformity with the timetable in 2011 – beginning of 2012. While some actions, like better information to grant beneficiaries during kick-off/information meetings and strengthening of monitoring visits, were already in place during 2011 for all programmes managed by the EACEA including the LLP, other actions will lead to improvements in later years. The financial information kit started to bring benefits from 2012. The better defined, value adding audit certificates under the new desk control strategy are mandatory for projects committed as from 2013 and optional for projects committed before. Therefore, it will most likely take until 2015 for all effects to materialize.*

147. (§ 286) The Parliament notes the successful actions that the Commission has undertaken in the field of sport; nevertheless calls upon the Commission to be more ambitious with the tools and budget it has, in order to prepare for the sports programme in 2014.

**Commission's response:**

*The Commission is gradually intensifying its preparations for E4A, including the Sport Chapter. In this context, it is implementing the 2012 and 2013 Preparatory Actions on European Partnership on Sports.*

## Administrative and other expenditure

148. (§ 287) The Parliament calls on the Commission not to reimburse any more travel costs of advisors to Commissioners whose work has not produced any tangible findings until an added value of their work can be proven.

**Commission's response:**

*Special Advisers have the duty of providing high-level advice to Members of the Commission. They must make all the necessary efforts to carry out this duty, but, due to the specific nature of their tasks, they are not subject to an obligation in terms of concrete results. Accordingly, it would not be useful to establish a link between such results and the reimbursement of travel costs.*

149. (§ 288) The Parliament recommends that the Commission follow up the recommendation of the Court of Auditors to request staff to deliver at appropriate intervals documents confirming their personal situation and that it implements a system for the timely monitoring of these documents.

**Commission's response:**

*A new module will be put in place in the front office of SYSPER2/Rights. Staff will be asked to declare and update the professional activity of their spouse. The other modules of SYSPER2/Rights being implemented or already in place also include sections requesting staff to deliver documents confirming their personal situation.*

150. (§ 289) The Parliament calls on the Commission to execute an in-depth study on the differences in required qualifications and the granted privileges, working conditions, allowances, entitled vacation days as well as pay levels for positions for civil servants and foreign services between Union and Member States located in the same working place and on the question of whether these differences legitimise the differences in remuneration of delegated national compared with Union civil servants, taking into account the relevant applicable tax system by comparing cases with standardised family situations.

**Commission's response:**

*There have already been studies comparing salaries of EU officials and salaries in international companies and national diplomatic services. None have revealed any discrepancy across remunerations. As a result, the Commission has not proposed to change the remuneration structure of officials in its proposal for a Change in the Staff Regulations of December 2011 (COM(2011)890). This proposal has been adopted by the European Parliament in first reading on 2 July 2013 with some amendments to the original proposal, none of which suggesting any revision of the remuneration or allowance system of the EU officials.*

*It should be further mentioned that the additional information that the requested in-depth study would bring would be disproportionate with the cost it would necessitate.*

151. (§ 290) The Parliament requests that costs for hiring external staff and temporary agents on a yearly basis are systematically monitored and requests that they are made publically available.



**Commission's response:**

*The recruitment of external staff and temporary agents potentially concerns several services (EPSO, PMO, DG HR, the DGs concerned). Therefore, calculating and monitoring these costs would imply a complex cost management system that would be disproportionate as compared to the objective*

152. (§ 291) The Parliament calls on the Commission to make more use of the available technologies such as teleconferences and teleworking in order to reduce the costs of buildings and travel; requests the Commission to estimate possible financial savings which could be achieved with the increased use of these technologies and to submit the results to Parliament by September 2013.

**Commission's response:**

*The Commission already promotes the use of Visio-conference (VC) for its meetings Savings are being made in travel costs as some of these VC meetings have replaced missions.*

*The Commission also promotes, in the framework of its policy on equal opportunities, teleworking arrangements for its staff.*

*However, the estimation of possible financial savings deriving from further use of both technologies would be highly uncertain as regards the cost such quantification would require.*

153. (§ 292) The Parliament demands the establishment of an interinstitutional database for studies, so as to avoid multiple financing of the same issues and to achieve an exchange of results.

**Commission's response:**

*Following the EP 2008 and 2009 discharge resolutions on the same subject, the Management Committee of the Publications Office set up an inter-institutional working group in 2012.*

*All institutions which produce studies have agreed:*

- 1) to list their planned studies and to share their plans with each other;*
- 2) to complete an inventory of recent (2010-2012) studies and to check existing studies in order to avoid duplication before launching new studies, and*
- 3) to identify and deposit their studies with the Publications Office, which will make studies available to the public through the EU Bookshop.*

*Implementation is currently in progress and should be completed by the end of 2014.*

154. (§ 293) The Parliament calls for full transparency concerning breaches of fundamental rights during OLAF investigations incidents, regardless of the identity of the person(s) involved.

**Commission's response:**

*Assessing whether fundamental rights have been breached in OLAF investigations is a matter for the relevant Courts.*

*In accordance with Article 12 (3) paragraph 2 of Regulation 1073/1999, the Director-General of OLAF reports regularly to the European Parliament, the*

*Council, the Commission and the Court of Auditors on the findings of investigations carried out by OLAF.*

155. (§ 295) The Parliament calls on the Commission to give a detailed opinion of criticisms on Eurobarometer's survey methods.

**Commission's response:**

*Regarding Eurobarometer methodology, Eurobarometer surveys are conducted among a statistically valid random sample of the population.*

*Generally, 1000 citizens aged 15 years and more are interviewed in each country. The questions go through rigorous translation process to make sure they mean the same thing in all (now) 28 Member States.*

*Eurobarometer remains the only survey conducted in each and every Member State using the same methodology and identical questions, allowing the calculation of a weighted EU average, comparisons between all Member States and trends over time.*

*Eurobarometer surveys are carried out by recognised international opinion poll contractors, following industry-standard codes of practice. These contractors are selected through inter-institutional call for tenders.*

*The value of Eurobarometer has been recognised at inter-institutional level. In addition to the Commission, the European Parliament also uses Eurobarometer for its own analysis of the state of public opinion in the EU.*

*Eurobarometer data is accessible to researchers which have the possibility to evaluate this instrument. Criticisms of the survey methods and in particular the questionnaire design were recently voiced. The Commission however does not agree with those criticisms. The Commission acknowledges that Eurobarometer polls help to gauge what people say and feel, even if all respondents do not necessarily know the subject in detail. Nevertheless, criticism about the lack of knowledge of respondents on polls' topics could be made of virtually all opinion polls. This is one of their limits.*

*However, many of the Standard Eurobarometer questions are quite straightforward; here are a few examples: "What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it. A European economic and monetary union with one single currency, the euro", "What do you think are the two most important issues facing our country at the moment?", " And personally, what are the two most important issues you are facing at the moment?", " In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?"*

156. (§ 294) The Parliament demands full clarification of the allegations concerning OLAF's investigation methods.

**Commission's response:**

*The Commission and OLAF have already discussed the allegations referred to in great detail with the relevant EP committee (CONT) in full transparency in meetings which took place after the adoption of the discharge resolution.*

## Getting results from the Union budget

157. (§ 297) The Parliament reiterates its previous request to the Commission to present the evaluation report in the competent committee and plenary when the Court of Auditors' Annual Report is presented.

**Commission's response:**

*The Commission has further advanced the publication of the evaluation report as requested and has adopted this year's Evaluation report on 26 June shortly after the adoption of the Synthesis Report.*

158. (§ 301) The Parliament encourages the Commission to take on board when shaping its policies the main findings of evaluations from the report relating to the financial year 2011 which contributed to improving final impact of the programmes.

**Commission's response:**

*The Commission is taking onboard the results of evaluations in the impact assessments prepared for shaping its policies.*

159. (§ 302) The Parliament calls on the Commission to inform the budgetary authority on an annual basis about the development of accounts outside the Union budget, including their cash-flow development as well as the purpose of each account.

**Commission's response:**

*On 2 April 2013 the Commission has informed the European Parliament that there are no bank accounts held or managed by the Commission outside of the budget in the sense that funds are used for payments of actions which are not authorised by the Budgetary Authority.*

*Bank accounts for which a double-signature system has been put in place (officials of the Commission/the European External Action Service (EEAS), and the beneficiary state) are legally opened in the name of either the Commission or the beneficiary state. Commission/EEAS officials act as second signatories in order to protect the EU funds and ensure that they are disbursed as intended. Referring to these accounts as 'accounts outside of the budget' is therefore not correct.*

160. (§ 305) The Parliament insists on receiving an impact evaluation on the programmes focussing on the performance observed in the preceding financial year, i.e. measures taken to accomplish the Europe 2020 objectives annually, in full accordance with Article 318 TFEU.

**Commission's response:**

*This year's Evaluation report provides a better combination of performance information from different sources covering progress in 2012 and evaluation results/other performance-related feedback that became available in 2012 relating to earlier years. It reports on progress in achieving the objectives of the financial programmes which are designed to contribute to the achievement of EU 2020 targets.*

161. (§ 306) The Parliament calls on the Commission to broaden the coverage of its assessment and to develop a real cost effectiveness approach aiming at measuring the results obtained in pursuing its political objectives on the basis of the finances and staff devoted to the realization of those objectives.

**Commission's response:**

***The Commission has targeted broader coverage of performance information in the preparation of this year's report, developing an approach with increased focus on cost-effectiveness within the framework of the current MFF.***

162. (§ 307) The Parliament calls on the Commission to ensure that evaluations are conducted independently; notes that the resulting reports should be shared as soon as possible with the relevant committees of Parliament.

**Commission's response:**

***The evaluation policy of the Commission is designed to ensure that evaluations provide reliable, independent and complete results. The Commission is committed to ensuring that evaluation results are shared as soon as possible with the relevant committees of Parliament and are communicated effectively to all other relevant decision-makers and interested stakeholders/parties.***

163. (§ 308) The Parliament asks the Commission to outline in time for the discharge procedure 2012 a new system of management and performance information including the design and the role of the evaluation report taking on board the recommendations of Parliament as developed in paragraphs 327 and 328 of this resolution and to present it to the discharge authority.

**Commission's response:**

***For the next MFF, the Commission is working on a stronger and more coherent framework for monitoring, evaluation and reporting on the performance of EU financial programmes. The Commission proposals for the next set of programmes for 2014 - 20 focus on simplification, to facilitate and accelerate programme implementation; improved monitoring and reporting on progress, to ensure improved identification of delays or difficulties and quicker action to remedy deficiencies; and improved evaluation and reporting on performance.***

***The Commission awaits the adoption of the legal measures to support the financial programmes in the next MFF to enable the Commission to complete its preparation of an improved system of management and performance information.***

164. (§ 309) The Parliament asks the Commission for this purpose to establish a reliable system of data collection on the performance to identify outcomes and impacts when they arise.

**Commission's response:**

***The Commission calls on Parliament and Council to maintain the simpler framework which the Commission has proposed and to ensure that a clear and strong monitoring and reporting framework for the next MFF is established.***

***The Commission awaits the adoption of the legal measures to support the financial programmes in the next MFF to enable the Commission to complete its preparation of an improved system of management and performance information.***

165. (§ 312) The Parliament insists in the context of the entire 2007-2013 period that impact indicators should have deadlines and quantified targets associated.

**Commission's response:**

*As part of the preparation of the 2014 Management Plan, the Commission will provide guidance to its services to ensure that SMART indicators are being used as much as possible. For some indicators, it may be more appropriate to use trends.*

166. (§ 314) The Parliament calls on the Commission to implement the rules of the rotation of senior staff in the Commission administration across the board and underlines the importance of leading by example and the taking of responsibility at the highest levels.

**Commission's response:**

*The Commission attaches importance to mobility of its senior officials. That is why it has drawn up rules which are applied taking account both of the interest of the service and of the individual. These rules establish reference benchmarks setting the general principle for senior official mobility; they are applied on a case by case basis in the interest of the service.*

167. (§ 316) The Parliament insists on the need to ensure the consistency between the objectives, indicators and targets foreseen in the management plan and reported on in the annual activity reports.

**Commission's response:**

*The instructions for the 2014 Management Plans and the 2014 Annual Activity Reports will include guidelines that facilitate a better linkage planning and reporting.*

168. (§ 317) The Parliament insists also on the need to explain why the performance achieved did not meet the relevant objective or target in the annual activity report.

**Commission's response:**

*The Commission Central services regularly review the reporting process, draw lessons to improve the value of these reports and revise the AAR Standing Instructions and guidelines accordingly. The instructions for the 2013 AARs will underline the following requirements:*

- Services are required to complement the progress reporting in Part 1 of the AAR (any deviations from the set milestones or from the track of the expected trend) by justifying any discrepancies between the results targeted and those achieved (gap analysis) and describing the corrective actions taken or planned to remedy the problem(s) encountered. The instructions will encourage Commission Services to make better use of the information from their policy/programme evaluation reports by re-using the key findings in their AAR reporting on policy achievements.*
- Services are required to include in Part 3 of the AAR key indicators of sound financial management (effectiveness, efficiency, economy) of the EU funding, and report the results of such indicators on an annual basis. Respectively, these indicators could be based on, e.g., the quality results (% of decisions challenged) of the project selection processes, the time-to-pay statistics and the financial savings made during the contracting processes.*

*Compliance with the new requirements will be monitored in March 2014 (i.e. during the annual peer review process for the 2013 AARs).*



169. (§ 318) The Parliament points out that according to points 10.17 and 10.18 of the Court of Auditors' Annual Report, the accuracy of the evaluation performed by DG AGRI and DG REGIO is largely reliant on the quality of data supplied by the Member States; encourages the Commission services to issue guidelines on data input and to envisage to provide Member States with incentives to supply high quality performance data.

**Commission's response:**

*The Commission's quality checking of the data supplied by the Member States for the current programming period for monitoring and evaluation purposes will be continued and intensified within what is possible in the context of the current monitoring and evaluation framework.*

*According to the proposals for the next financial period 2014-2020 (see also the European Council's conclusions on the MFF) as an incentive for the Member States, 7 % of the funds will remain unallocated at the beginning of the new programming period to provide additional funds for those Member States that have attained their milestones (performance review for all programmes under the European Structural and Investment Funds).*

170. (§ 322) The Parliament calls on the Commission to undertake more stringent quality reviews and ensure that Eurostat guarantees that it will be accurate in its presentation of statistical data; calls for a report on this matter to be produced by March 2014.

**Commission's response:**

*Communication COM (2011) 211 from the Commission to the European Parliament and the Council "Towards robust quality management" proposes to develop and implement a quality management framework following two lines of action:*

*1) Preventive Approach to verifying government finance (EDP) statistics. In the domain of Government Finance Statistics, and in line with the revision of Regulation (EU) No 479/2009, a reinforced quality procedure is in place that extends the focus on the quality of the whole statistical process including the data from the so-called upstream area. The procedure includes more intense dialogue visits to the countries as well as development of quality management system for public finance statistics.*

*Adoption depends on the co-legislators.*

*2) Furthermore, the Commission has adopted a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 223/2009 on European Statistics (COM(2012) 167) aiming at strengthening the system of European Statistics which contributes to ensuring quality.*

*The Commission will present a report on this matter as requested. Amendment to regulation 223/2009 when adopted by the EU legislator will also be taken into account.*

171. (§ 323) The Parliament insists on the need to strengthen the credibility of the European statistical system.

**Commission's response:**

*The Commission acknowledges the need to further enhance the credibility of the European statistical system and has started to implement the following actions:*

*Following the recommendation in the 2008 Commission Report on implementation of the Code of Practice, the November 2012 ESSC meeting set up a Task Force to develop a methodology for a new round of peer reviews.*

*The methodology will be piloted over the summer 2013 in two countries. The experiences will be presented to the DGINS at its September meeting, and its recommendations will be taken into account in fine-tuning the methodology. The ESSC will have a final discussion on the methodology at its November meeting before launching the new round of peer reviews by the end of 2013.*

*The new round of peer reviews seeks to:*

- *enhance the credibility of the European Statistical System*
- *strengthen the System's capacity to produce European Statistics*
- *reassure stakeholders about the quality of European Statistics and the trustworthiness of the System*
- *assess progress made in adherence to the principles of the CoP*
- *assess progress made in the development of the ESS itself.*

*The CoP and its principles set out a framework for credible and trustworthy statistics. The second round of peer reviews seeks to assess progress made in adherence to the CoP and identify areas where further progress should be made. It should also highlight good practices different countries have developed when implementing the CoP.*

*Adoption of the Regulation of the European Parliament and of the Council amending Regulation (EC) No 223/2009 on European Statistics (COM(2012) 167) aiming at strengthening the credibility of the European statistical system.*

172. (§ 327) The Parliament asks all the services of the Commission involved in the Europe 2020 Strategy to define in their management plan a limited number of simple targets, meeting the requirements of the Court of Auditors in terms of relevance, comparability and reliability in order to annually measure in their annual activity reports the performance of the Commission in the achievement of the Strategy.

**Commission's response:**

*The standing instructions for the preparation of the management plan foresee already that the general objectives should be linked to the EU2020-strategy.*

173. (§ 328) The Parliament asks the Commission to fundamentally modify the structure of its evaluation report foreseen by Article 318 TFEU, distinguishing the internal policies from the external ones and focussing inside the 'internal policies part' of this report on the Europe 2020 strategy as being the growth and jobs, the economic and social policy of the Union; insists that the emphasis should be put on the progress made in the achievement of the flagships initiatives.

**Commission's response:**

*Please see Commission reply to § 1af European Parliament resolutions on 2011 discharge.*

174. (§ 330) The Parliament requests that the Commission strengthen the follow-up on recommendations of the Court of Auditors' special reports on performance audit in order to respond in a timely efficient and effective manner to the recommendations of the Court of Auditors and the discharge authority.

**Commission's response:**

*The Commission is of the view that the audit recommendations included in the Court's performance audit reports give valuable input to achieve further improvements in EU financial management across all policy areas. The timely, efficient and effective follow-up of audit recommendation issued by the Court of Auditors is therefore an integral part of the Commission's financial governance system. It strives to further strengthen the way the Commission services are implementing the Court's recommendations by continuously adapting and aligning its internal systems and procedures.*

175. (§ 329) The Commission should, in time for the 2012 discharge procedure, report on how it intends to secure the added value of Union spending, in accordance with the principles set out by the Court of Auditors in point 10.31 of its Annual Report 2011.

**Commission's response:**

*The Commission has been improving the quality of objectives and indicators and the demonstration of the EU added value in its legislative proposals.*

*The Commission considers that the evaluation of the added value of sectoral instruments and programmes has to be done at an early stage, when the co-legislators discuss the criteria to be used in the legal bases of the programmes.*

*In his letter of 26 November 2010 to the European Parliament and the Council, the President of the Commission undertook to:*

*-Identify European added value as part of the Commission's impact assessment of new legislative proposals having budgetary impact;*

*-Fully take into account European added value as well as synergies between the EU and national budgets for specific policies, and possible savings, in its proposals to the next Multiannual Financial Framework, including the legal bases for multiannual expenditures programmes.*

*For the period 2007-2013 the Commission used some criteria (efficiency, effectiveness and synergy) to test the added value of its proposals in all policy areas and, for the new Multiannual Financial Framework, the Commission took in consideration the Court's observations and designed all sectoral instruments and programmes on the basis of, amongst other criteria, the prominence of their added value.*

*Within the preparation of the Multiannual Financial Framework for the period 2014-2020, the Commission already presented to the Discharge Authority a comprehensive view of the added value, for Member States and EU citizens, of having an EU budget and presenting many examples of how this works in practice in our Member States. (SEC(2011)867 of 29.06.2011).*

*Finally, the question of EU added value is also already addressed by Commission services in ex ante and ex post evaluations and in the Commission Impact Assessment process preparing evidence on the advantages and disadvantages of possible policy options by assessing their potential impact.*

**SR 12/2011 - Have EU measures contributed to adapting the capacity of the fishing fleets to available fishing opportunities?**

176. (§ 6) The Parliament calls on the Commission to define overcapacity and consider more relevant and robust measures to facilitate actions to balance fishing capacity with fishing opportunities.

**Commission's response:**

*The Commission is taking action in 2013 by developing common guidelines to provide a working method leading to an assessment of whether a fishing fleet segment is in a situation of overcapacity or not. This assessment will be based on biological, technical and economic and social criteria. According to the anticipated outcome of the reform of the Common Fisheries Policy (Based on the Commission's proposal COM(2011) 425 final), and in particular Article 34 thereof, the capacity assessment will be made by Member States.*

*Where overcapacity has been identified, Member States will be required to prepare an action plan setting out the adjustment targets and tools to achieve a balance between fishing capacity and the fishing opportunities from exploited resources with a clear time-frame for the implementation of the plan.*

*In the case that a Member State fails to implement an action plan, the Commission may suspend or interrupt relevant Union financial assistance to that Member state for investment in the relevant fleet segment.*

177. (§ 7) The Parliament believes that it is essential that the Commission urgently draft a report containing the data on existing overcapacity in the Union, broken down by fishery and country.

**Commission's response:**

*The Commission will be taking the requested action by 2014. Each year, the Commission will, according to the anticipated outcome of the reform of the Common Fisheries Policy, prepare a report on the balance between the fishing capacity of Member States' fleets and their fishing opportunities. The report will include action plans as referred to in the response to § 162. The first report of this type will be submitted by 31 March 2015.*

178. (§ 10) The Parliament calls on the Commission to enforce the Member States' obligation to correctly update their fleet register, and to establish the obligation to report on their efforts to balance fishing capacity with fishing opportunities.

**Commission's response:**

*The Commission is taking the requested action in 2013.*

*Member States are already obliged to update their fleet registers, following clear rules. In addition, Article 16 of the regulation (EC) No 2371/2002 provides for aid to be suspended if the fleet register is not updated. The Commission therefore closely monitors compliance by the Member States with their fleet register obligations. In the process of closing the FIFG-interventions, the Commission is currently cross-checking fleet information for all vessels decommissioned between 2000-2006 with FIFG support. Under the EFF (2007-2013) Member States are not required to submit detailed data on decommissioning on annual basis, but pursuant to article 40 of Commission Regulation (EC) No 498/2007, the*



*Commission has requested this information. The Commission will continue to request necessary data on decommissioning from Member States to cross-check the fleet information reported in the EU fleet register against projects financed under the EFF.*

*Under the reformed Common Fisheries Policy (new Regulation to be adopted following the Commission's proposal COM(2011) 425 final), Member States will be obliged to record information on ownership, vessel and gear characteristics and on the activity of vessels flying their flag. The Commission will maintain a Union fishing fleet register.*

*The Commission's proposal for the European Maritime and Fisheries Fund (EMFF) foresees that in cases of non-compliance with CFP rules, including the failure by a Member State to provide the necessary data, make a proportionate interruption and suspension of the relevant Union financial assistance to that Member State. This provision is still under discussion by the Council and Parliament.*

179. (§ 16) The Parliament calls on the Commission to set effective fishing fleet capacity ceilings.

**Commission's response:**

*The Commission will be taking the requested action in 2013. Fishing capacity ceilings are already established for each Member State and will be updated according to the new Common Fisheries Policy Regulation by end 2014.*

180. (§ 18) The Parliament endorses the Court of Auditors' recommendations that actions should be developed to effectively reduce overcapacity of the fishing fleet and to better define and measure fishing capacity and fishing overcapacity, while at the same time not disregarding that the remaining jobs in the fishing sector should be maintained.

**Commission's response:**

*The Commission is taking action in 2013 by developing common guidelines to provide a working method leading to an assessment of whether a fishing fleet segment is in a situation of overcapacity or not. This assessment will be based on biological, technical and economic and social criteria. According to the anticipated outcome of the reform of the Common Fisheries Policy (Based on the Commission's proposal COM (2011) 425 final), and in particular Article 34 thereof, the capacity assessment will be made by Member States.*

*Where overcapacity has been identified, Member States will be required to prepare an action plan setting out the adjustment targets and tools to achieve a balance between fishing capacity and the fishing opportunities from exploited resources with a clear time-frame for the implementation of the plan.*

*In the case that a Member State fails to implement an action plan, the Commission may suspend or interrupt relevant Union financial assistance to that Member state for investment in the relevant fleet segment.*

181. (§ 18) The Parliament endorses the Court of Auditors' recommendations that the aid scheme for modernising vessels should be reconsidered and the role of fishing right transfer schemes clarified.

**Commission's response:**

*Action is being taken.*

*Discussions with Member States during late 2012 and 2013 have led to increased efforts by Member States to verify that the modernization operations do not increase the ability to catch fish in line with Article 25(2) of the EFF regulation. Member States have applied corrections where ineligible expenditure has been identified. For a number of cases where the regularity of the expenditure under the modernisation measure could not be ensured, the Commission has interrupted payments.*

182. (§ 18) The Parliament endorses the Court of Auditors' recommendations that clear selection rules should be established for fishing vessel decommissioning schemes.

**Commission's response:**

*Actions are being taken. A study (Retrospective Evaluation of Scrapping and temporary Cessation Measures in the EFF) has been launched to understand the selection criteria used in the FIFG (2000-2006) and EFF (2007-2013) for decommissioning schemes co-financed by EU funds. The first results will be published in summer 2013.*

183. (§ 18) The Parliament endorses the Court of Auditors' recommendations that: the fleet register should be correctly updated, and Member State reports should contain the required information and be of suitable quality.

**Commission's response:**

*The Commission is taking the requested action in 2013.*

*Member States are already obliged to update their fleet registers, following clear rules. In addition, Article 16 of the regulation (EC) No 2371/2002 provides for aid to be suspended if the fleet register is not updated. The Commission therefore closely monitors compliance by the Member States with their fleet register obligations. In the process of closing the FIFG-interventions, the Commission is currently cross-checking fleet information for all vessels decommissioned between 2000-2006 with FIFG support. Under the EFF (2007-2013) Member States are not required to submit detailed data on decommissioning on annual basis, but pursuant to article 40 of Commission Regulation (EC) No 498/2007, the Commission has requested this information. The Commission will continue to request necessary data on decommissioning from Member States to cross-check the fleet information reported in the EU fleet register against projects financed under the EFF.*

*Under the reformed Common Fisheries Policy (new Regulation to be adopted following the Commission's proposal COM(2011) 425 final), Member States will be obliged to record information on ownership, vessel and gear characteristics and on the activity of vessels flying their flag. The Commission will maintain a Union fishing fleet register.*

*The Commission's proposal for the European Maritime and Fisheries Fund (EMFF) foresees that in cases of non-compliance with CFP rules, including the failure by a Member State to provide the necessary data, make a proportionate interruption and suspension of the relevant Union financial assistance to that*

*Member State. This provision is still under discussion by the Council and Parliament.*

**SR 13/2011 - Does the control of customs procedure 42 prevent and detect VAT evasion?**

184. (§ 30) The Parliament urges the Commission and Member States to monitor and effectively respond to both existing and new trends in fraud, and requests that the Commission inform the Committee on Budgetary Control by September 2013 which temporary and permanent measures were taken on the basis of customs procedure 42, not only by the Union, but also at national level and their effect on the number of fraud cases; takes note of the Commission's Green Paper on the future of VAT – Towards a simpler, more robust and efficient VAT system (COM(2010)0695), and calls for concrete proposals to be made on VAT reform.

**Commission's response:**

*On 6 December 2012, the Commission adopted a comprehensive and ambitious action plan on fighting tax fraud and tax evasion. A series of measures are proposed to better fight against tax fraud and evasion, including VAT fraud. Moreover, the action plan was accompanied by two recommendations to Member States which promote specific countermeasures to deal with aggressive tax planning and to treat the issue of tax havens.*

*Regarding the request to inform the Committee on Budgetary Control on measures taken by the Union for customs procedure 42: The Commission has taken several initiatives that have improved the situation (see reply of the Commission in ECA's Special Report No 13/2011) and has informed the Parliament about the Union's actions (see Commission's reply - Hearing on 21 January 2013).*

*As concerns the actions at national level, it is important to highlight that Eurofisc has set up a specific working field that monitors fraudulent transactions misusing the customs 4200 scheme. The results of this working field will be reflected in the annual report of Eurofisc to be presented in April each year. The Commission is committed to request the responsible authorities in Eurofisc to make this report available to the Committee by September 2013.*

185. (§ 31) The Parliament calls on the Commission to urge Member States to simplify their law on VAT, introduce a standard form for the notification of the implementation of VAT to tax authorities and establish uniform and proper management of cases of exemption from VAT by the customs authorities of the Member States and to ensure the improved availability of those legislative texts translated into English, French and German as a minimum requirement.

**Commission's response:**

*With the amended Article 143 entering into force on 1/1/2011 the legislation has improved considerably. Furthermore, VAT being EU legislation, only the Commission can propose simplification measures, not Member States. If the second point refers to the obligation of MS to notify the Commission of their transposition of EU legislation into domestic legislation, the Commission would like to inform that this is already the case. Finally, it is not legally possible for the Commission to impose the requirement on tax administrations to have their legal text available in EN, FR and DE.*

186. (§ 32) The Parliament urges the Commission and Member States to take the necessary steps in order to speed up the preparation process [for the entry into force of the Modernised Customs Code (MCC)].

**Commission's response:**

***- See Mr Šemeta's replies on § 1ah and § 111.***

187. (§ 36) The Parliament requests that the Commission keep Parliament's competent committees and the Court of Auditors informed on a monthly basis on the developments in all Member States on preventing fraud under customs procedure 42.

**Commission's response:**

***The Commission has already implemented most of the recommendations put forward in the Special Report from the European Court of Auditors. As far as the remaining recommendations for Member States are concerned, the Commission will report by the end of 2013 in its Article 12 Report mentioned above.***

188. (§ 37) The Parliament calls on the Commission to create a system that would combine assistance in the customs area and administrative cooperation in the area of VAT to ensure effective information flows, so that the relevant authorities in one field are routinely informed about action in the other field; considers that this would make the cooperation between the competent authorities and the charging of VAT in the Member State of destination more effective and rapid.

**Commission's response:**

***See Commission's reply - Hearing on 21 January 2013 (point 48) and reply to § 40 (concerning direct automatic information exchange).***

***The Commission considers that such automatic communication between customs of the Member State of importation and tax authorities of the Member State of destination would be highly complex due to two different legal bases in the Treaty. A more pragmatic solution is therefore that the flow of information takes place in the Member State of importation between the national customs and tax authorities. Tax authorities in the Member State of importation would subsequently communicate to tax authorities in the Member State of destination under the existing administrative cooperation rules in the field of VAT.***

189. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to amend the Customs Code Implementing Provisions, implementing compulsory communication of the relevant VAT ID numbers.

**Commission's response:**

***See Commission's reply (Hearing on 21 January) 2013, Point No. 48. – The Commission amended the Customs Code Implementing Provisions to implement the compulsory and uniform communication at the time of importation of the information required by Article 143(2) of Directive 2006/112/EC when the VAT exemption applies (Commission Regulation 756/2012 of 20/8/2012). The information required from 1.1.2013 in Box 44 of the customs declaration includes the relevant VAT numbers and the reference to the evidence of the intended transport to the Member State of final destination. For technical reasons, communication at the time of importation of the information required by Article 143(2) of Directive 2006/112/EC is not possible in regard to the Local Clearance Procedures. – Definitions are clarified and explanations/examples for procedure code 42 are given in order to spell out the link between Customs and VAT***



***provisions and to remove any possible ambiguity as to the obligations to provide VAT identifications in those customs declarations.***

190. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to amend the VAT Directive in order to hold importers jointly and severally liable for the VAT loss.

**Commission's response:**

***The Commission has taken the requested action. The issue of joint and several liability was mentioned at Anti-Tax Fraud-Strategy Group meeting on 8/3/2011. Recent Presidencies however did not consider to be dealt with under their Presidency. The Commission's proposal remains therefore pending on the table of the Council.***

191. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to the Commission to provide guidance to Member States on assistance and administrative cooperation.

**Commission's response:**

***The Commission is taking the requested action.***

***The Commission provides guidance under different fora (e.g. in Fiscalis project groups, SCAC, etc.)***

***As regard the Customs Audit Guide the amendments to the texts for procedure 42 have been drafted and have been submitted to all Member States on 30/5/2013 for comments by 14 June 2013. After revision, the draft text will be translated in all Community languages and will be submitted to all Member States. A timeline for submission of the text in all community languages of this part of the Audit Guide by 1/10/2013 therefore seems realistic.***

192. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to provide for automatic verification of VAT ID numbers and creation of EU risk profile under customs procedure 42.

**Commission's response:**

***See Commission's reply (Hearing on 21 January) 2013, Point No. 48. The Commission supports any initiative that could lead to the creation of an EU risk profile addressing the risk of VAT fraud concerning imports under procedure 42.***

193. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation for amending the VAT Directive allowing for reconciliation between customs and tax data.

**Commission's response:**

***The Commission has explored this possibility with Member States who prefer a targeted exchange of information via Eurofisc. An amendment of the VAT Directive does therefore not seem foreseeable nor does it find the unanimous support by Member States that is necessary for legislative proposals in taxation.***

194. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to provide for exchange of information necessary for correct charging of VAT.

**Commission's response:**

*The new Implementing Regulation, listing the transactions for which automatic exchange of information is required has been adopted by the Standing Committee on Administrative Cooperation (SCAC). Member States did not agree to include this category into the automatic exchange because they considered it more useful to have a targeted exchange of information on this category of transactions through the separate working field especially set up for this reason under Eurofisc. The Commission therefore has to reject the Court's recommendation taking into account the position of Member States.*

195. (§ 40) The Parliament endorses the Court of Auditors' recommendations, in particular: the recommendation to set up a direct automatic data exchange concerning risk-prone transactions under customs procedure 42.

**Commission's response:**

*The Commission considers that such automatic communication between customs of the Member State of importation and tax authorities of the Member State of destination would be highly complex due to two different legal bases in the Treaty. A more pragmatic solution would therefore be that the flow of information takes place in the Member State of importation between the national customs and tax authorities. Tax authorities in the Member State of importation would subsequently communicate to tax authorities in the Member State of destination under the existing administrative cooperation rules. Information on imports using the customs procedure 42 should be closely monitored through a separate working field within Eurofisc where it is already targeted and transmitted faster than via VAT recapitulative statement. An amendment of the VAT Directive or of Regulation on administrative cooperation and combating fraud in the field of value added tax does therefore not seem necessary nor is it supported by Member States.*

196. (§ 40) The Parliament calls on the Commission to report on a six-monthly basis on how and when it will implement those recommendations [contained in the Court of Auditors' Special Report].

**Commission's response:**

*The Commission is thoroughly following up the recommendations made by the European Court of Auditors in the context of past and recent audits, in particular the European Court of Auditors Special Report No 13/2011 "Does the control of customs procedure 42 prevent and detect VAT evasion?". See also the Commission's reply to Parliament's request to report on the progress in terms of the follow-up on the Court of Auditor's recommendations (Hearing on 21 January 2013). See also the Commission's reply in the Special Report No 13/2011 on initiatives taken by the Commission and the Commission's replies above (concerning the Special Report 13/2011). Therefore, the Commission considers additional reporting obligation unnecessary. The Commission would like to draw the EP's attention to the fact that a follow up database exists access to which would avoid double reporting.*

**SR 14/2011 - Has EU assistance improved Croatia's capacity to manage post-accession funding?**

197. (§ 55) The Parliament calls on the Commission to maximise the potential for institutional learning and capacity-building in candidate and potential candidate states, notably by further aligning the procedures of pre-accession assistance with those used under the Structural Fund, the European Social Fund, and the European Agricultural Fund for Rural Development.

**Commission's response:**

*The Commission accepts the proposed recommendation from the EP aimed at maximising the potential for institutional learning and capacity-building in candidate and potential candidate States by further aligning the procedures of pre-accession assistance with those used under the Structural Fund, the European Social Fund, and the European Agricultural Fund for Rural Development, subject to the following remarks:*

*Given that pre-accession assistance is accession driven and it has its own specificities, the procedures used under the Structural, the Social and the Agricultural Funds are considered appropriate for the enlargement countries only at a stage where they have come sufficiently close to accession.*

*Therefore, although the ultimate goal of bridging existing gaps through maximising the potential for institutional learning and capacity-building is shared by the Commission, the alignment of the procedures should be seen in the context of the pre-accession assistance. This means that the alignment with the procedures of the above-mentioned funds can only be applicable to assistance related to the relevant policy area, and implemented only where the Commission entrusts beneficiary countries with budgetary implementation tasks.*

*This approach is embedded in the Commission proposal for the Instrument for Pre-accession Assistance 2014-2020 (IPA II), which is currently subject of negotiation between the European Parliament and the Council of Ministers.*

*Moreover, concerning the new IPA II Regulation, it should also be underlined that the new Regulation envisages a more gradual transition from direct management to indirect management (a management mode close to shared management, but never equivalent). Thus, transition towards indirect management will be carried out in line with the development of capacities in the beneficiary countries, in coherence with the progressive implementation of reforms required to prepare for Union membership as well as with related institution and capacity building.*

198. (§ 57) The Parliament calls on the Commission to report on Croatia's progress in tackling these and other outstanding issues [the fact that with regard to regional policy and coordination of structural instruments, further sustained efforts need to focus on effectively implementing the plans to increase administrative capacity for future cohesion policy implementation and to develop a mature project pipeline].

**Commission's response:**

*Concerning regional policy and the coordination of structural instruments, as reported in the Monitoring Report on Croatia's accession preparations of 26 March 2013 (COM(2013)171), Croatia was able to demonstrate that it fulfils the conditions for the waiver for ex-ante controls for all IPA components. Croatia,*

*however further needs to step up building the administrative capacity in the relevant structures, finalise investment strategies and intensify the preparation of a pipeline of high quality and mature projects as the numbers of co-funded projects, of sectors touched and of interlocutors will substantially increase over the time. A fully functioning management, monitoring and evaluation system needs to be established for the future European Structural and Investment Funds. Croatia needs to ensure that all relevant and necessary procedures are put in place to ensure an effective, regular and transparent use of the European Structural and Investment Funds, especially as far as public procurement is concerned.*

199. (§ 62) The Parliament urges the Commission and the Croatian authorities to prioritise the build-up of robust public procurement capacities; emphasises, in this context, that the fight against corruption plays a central role in the entire accession process, and failure to implement preventive anti-corruption measures will impede the future absorption of Union assistance.

**Commission's response:**

*Building up public procurement capacity in Croatia is considered as a high priority and progress has been made by Croatia's authorities. For example, , as reported in the Monitoring Report on Croatia's accession preparations of 26 March 2013 (COM (2013)171), transparency has increased in accordance with the new legislation in force since January 2012. Information on signed and executed contracts is published by all public bodies, which leads to a decreased risk of corruption in the area of public procurement. Furthermore, in parallel Croatia needs to take all necessary measures to prevent the occurrence of irregularities in the procurement of projects to be co-financed under the Cohesion Policy by the setup of a solid management and control system.*

**SR 16/2011 - EU Financial assistance for the decommissioning of nuclear plants in Bulgaria, Lithuania and Slovakia: Achievements and Future Challenges**

200. (§ 73) The Parliament considers that a clear indication of national co-financing and the way to secure this national funding in the long term should be provided [as regards the Union support for the nuclear decommissioning assistance programme in Bulgaria, Lithuania and Slovakia].

**Commission's response:**

*The requested action has been taken. In Art. 4.1.B. of its proposal for a Council regulation on Union support for the nuclear decommissioning assistance programmes in Bulgaria, Lithuania and Slovakia of 24.11.2011 (COM(2011)783), the Commission introduced an ex-ante conditionality in order to secure national co-financing and to secure the funding for the completion of safe decommissioning as precondition for further commitments under the next MFF.*

201. (§ 81) The Parliament urges both parties involved to conclude a swift and timely agreement on all remaining issues [as regards the Ignalina nuclear power plant].

**Commission's response:**

*The Commission will not be taking the requested action given that the EP's request is addressed to the parties concerned, i.e. the Ignalina Nuclear power Plant (INPP) and the contractor consortium Nukem/GNS.*

*Nevertheless, the Commission would like to stress that it has continuously urged both parties to conclude a swift and timely agreement on all remaining issues. It has been strongly supporting all efforts to ensure the dialogue between the involved parties and to address all technical issues.*

202. (§ 85) The Parliament calls on the Commission to send Parliament an estimate of the funding required for the irreversible and complete dismantling of the three nuclear power plants.

**Commission's response:**

*The requested action has been taken. The impact assessment (SEC(2011)1387) accompanying the Commission proposal for a Council regulation (COM(2011)783) provides revised data on the funding required for the complete dismantling of the three nuclear power plants. A figure for irreversible status cannot be provided as irreversibility is not a clearly identified milestone in the decommissioning planning and is not related to the completion of a specific action.*

203. (§ 88) The Parliament requests that [as regards the Ignalina nuclear power plant] a clear, unequivocal deadline for acquiring the decommissioning licences be set, if not yet done.

**Commission's response:**

*The Commission will not be taking the requested action. While it considers that Lithuania has to improve the efficiency and effectiveness of the management for the decommissioning of the Ignalina Nuclear Power Plant, the Commission cannot impose a deadline for obtaining the decommissioning license. Licenses are issued by the national authorities under the national responsibility. Any intervention by the Commission would infringe the nuclear safety and waste directive.*



204. (§ 90) The Parliament calls on the Commission to report annually to Parliament on the state of play [i.e. the fact that disagreements on the interpretation of treaties, the awarding of contracts and the ongoing technical and commercial disputes between the Ignalina nuclear power plant and the main contractor for the two projects should be submitted to an arbitration procedure and that any additional Union financial assistance should be suspended until the dispute is settled].

**Commission's response:**

*The Commission will inform the EP annually on the identified issues. In addition, as provided for in Art.8.4 of the Commission proposal COM(2011)783, the Commission will formally report to the EP (and the Council) about the outcome of the evaluation to be established in 2015.*

205. (§ 92) The Parliament calls on the Commission to cooperate with the governments of Bulgaria, Lithuania and Slovakia and to maximise progress in the decommissioning of nuclear power stations by making available sufficient funding by 2017 or, where appropriate, by 2020.

**Commission's response:**

*The requested action has been taken. The Commission's proposal for a Council Regulation COM(2011)783 of 24.11.2011 (and in particular the ex-ante conditionalities therein) addresses this request.*

206. (§ 92) The Parliament calls on the Commission, furthermore, to set ambitious implementation targets and monitor progress towards those targets; takes the view that penalties must be applied in the case of failure to meet those targets.

**Commission's response:**

*The requested action has been taken. The Commission's proposal for a Council Regulation COM(2011)783 of 24.11.2011 (and in particular the ex-ante conditionalities therein) addresses this request.*

207. (§ 92) The Parliament calls [on the Commission] for an annual report on the progress made [in the decommissioning of nuclear power stations] to be submitted to Parliament.

**Commission's response:**

*The Commission, although not taking the requested action in the form of an annual report, will nevertheless inform the EP annually on the identified issues. In addition, as provided for in Art.8.4 of the Commission proposal COM(2011)783, the Commission will formally report to the EP (and the Council) about the outcome of the evaluation to be established in 2015.*

208. (§ 96) The Parliament asks the Commission to provide it with a copy of the evaluation report [on the achievement of the objectives of all the measures, at the level of results and impacts, the efficient use of resources and its Union added value].

**Commission's response:**

*The Commission is taking the requested action. It will provide the European Parliament with a copy of this evaluation report.*

209. (§ 98) The Parliament asks the Commission [...] to assess the added-value of the cooperation with the EBRD, and its capacity to act as administrator of funds, given that the Union supplies 96 % of funding.

**Commission's response:**

*The Commission is taking the requested action. This issue will be addressed in the context of the detailed implementation procedures for the duration of the Programme, provided for in Art. 6.2 of the Commission proposal COM(2011)783. The Commission will adopt these procedures not later than 31 December 2014.*

210. (§ 99) The Parliament calls on the Commission to draw up a report on the decommissioning processes in those three countries [Bulgaria, Lithuania and Slovakia].

**Commission's response:**

*The requested action has been taken. On 13.7.2011, the Commission adopted its report on the use of financial resources during 2004-2009 provided to Lithuania, Slovakia and Bulgaria to support the decommissioning of early shut-down nuclear power-plants under the Acts of accession (COM(2011)432)*

211. (§ 99) The Parliament calls on the Commission to also draw up a report on the decommissioning of the nuclear power plant in Greifswald, with a view to establishing technical and organisational best practice, thereby creating a reference base for future decommissioning projects.

**Commission's response:**

*The requested action has been taken. The technical and organisational experience of decommissioning in Greifswald is already available in detail to all three beneficiary Member States and was subject to presentations at multiple international conferences on decommissioning. Such practices need however to be adapted to the specific conditions and constraints of the individual decommissioning project.*

**SR 1/2012 - Effectiveness of European Union development aid for food security in sub-Saharan Africa**

212. (§ 103) The Parliament calls on the Commission and Member States to give more attention to this area [food security] when drawing up the EDF country strategy papers and to allocate more funding for this purpose [food security and eradication of extreme poverty and hunger].

**Commission's response:**

*Under the 10th EDF, 12 African countries selected food security / sustainable agriculture as a focal sector. DEVCO services have carried out an evidenced-based analysis based on internationally recognised food and nutrition indicators and have identified 52 most food-insecure countries. A joint DEVCO / EEAS note was sent to Delegations in these food-insecure countries: about 25 countries in Africa are proposing food security / sustainable agriculture as a focal sector in the 11th EDF.*

213. (§ 104) The Parliament calls on the Commission's Directorate-General for Development and Cooperation – EuropeAid to ensure the incorporation of data and analyses by the field offices of the Directorate-General for Humanitarian Aid and Civil Protection and from other sources and to help ensure that effective early warning systems for food insecurity are in place.

**Commission's response:**

*The Communication on Resilience (COM(2012)586 final) has re-established the foundations of humanitarian/development principles needed to address the root causes of food crises.*

*An Action Plan for Resilience in Crisis Prone Countries is being developed jointly and has the objective of reinforcing the momentum of the resilience agenda, to deliver early results and to allow further development of a body of evidence on what constitutes effective resilience-focused interventions.*

*A Joint DEVCO / ECHO taskforce (SHARE in the Horn of Africa, AGIR in Western Africa) has been set up. However, DEVCO and ECHO should still develop a system to ensure a more systematic channelling of information on ECHO's interventions.*

214. (§ 105a) The Parliament calls on the Commission to elaborate upon response strategies for different contingencies, making any relevant proposals.

**Commission's response:**

*The Communication on Resilience (COM (2012)586 final) sets out the humanitarian/development principles to address the root causes of food crises. The Action Plan for Resilience in Crisis-Prone Countries recently adopted focuses on reinforcing the momentum of the resilience agenda, to deliver early results and to allow further development of a body of evidence on what constitutes effective resilience-focused interventions.*

*In support of the Action Plan, the use of flexible instruments like the B-envelope, instruments like the V-Flex/Flex and Trust Fund are under discussion.*

215. (§ 105b) The Parliament calls on the Commission to also take note of the fact that gradually rising food prices is part of a marked, long-term upward trend, rather than a short-term issue and consequently, it requires a long-term holistic strategy, directly linked to broader development goals.

**Commission's response:**

*See reply to § 104: The Communication on Resilience (COM(2012)586 final) has re-established that the focus is on addressing the root causes of food insecurity.*

216. (§ 105c) The Parliament calls for the inclusion of a new Food Facility or a comparable mechanism in the multi-annual financial framework for the years 2014 to 2020 to ensure the Union's ability to respond swiftly to new food crises using similar funds, given the unpredictability of new food crises and the increased volatility of food prices.

**Commission's response:**

*Food security and sustainable agriculture have been on top of the agenda (Resilience communication COM(2012)586 final, Nutrition communication COM(2013)141 final, Food Security implementation plan SWD(2013)104). Based on an evidenced-based approach, 52 most food-insecure countries have been identified and for the majority of countries, food security / sustainable agriculture has been identified as a focal sector.*

*Food security will be addressed mainly through geographical instruments (bilateral) including through the B-envelope. The thematic instrument of GPGC will complement at global, regional or even national level intervention. More flexible instruments like the B-envelope, instruments like the V-Flex/Flex and Trust Fund are being discussed: the outcome of these ongoing discussions is pending the negotiations on the next MFF and the programming exercise.*

217. (§ 107) The Parliament calls on the Commission to harmonise the objectives of the two instruments [EDF and food security], with a view to ensuring that they complement one another and that the funds in question are used as effectively as possible.

**Commission's response:**

*Both geographic and thematic instruments supporting food security have to complement one another and be used as effectively as possible. The objective is just that. Geographic instruments (such as the EDF) carry out cooperation on food security with partner countries on a bilateral basis (as well as at regional level), with the overarching objective of poverty eradication. Thematic instruments for food security (i.e. the Food Security Thematic Programme) complements the EU's commitment towards poverty eradication and accompanies geographical instruments by addressing global, continental and regional dimensions of food security as well as ensuring transition from relief to development. This has been the case for many years and will continue to be in the next programming cycle (2014-2020) where bilateral cooperation on food security will mostly be covered through geographic instruments, complemented by thematic support to global public goods and challenges.*

218. (§ 108) The Parliament considers that the Commission should take systematic account of the food security situation and chronic food insecurity, in particular when implementing Union development policy.

**Commission's response:**

*See reply to § 105c: Based on an evidenced-based approach, 52 most food-insecure countries have been identified and for the majority of countries, food security / sustainable agriculture has been identified as a focal sector.*

219. (§ 109) The Parliament calls on the Commission to prioritise agriculture in its development aid, including assistance to farmers in accessing markets.

**Commission's response:**

*The Agenda for Change communication states that the EU should focus its support for inclusive and sustainable growth on, inter alia, sustainable agriculture and improving small farmer livelihoods. Support to small farmers includes an array of measures including facilitating market access (locally, nationally and internationally). Support to agriculture is hence one of the pillars of the Commission's development aid but not the only one (e.g. energy being another one). For the 2014-2020 programming cycle, partner countries have been encouraged to select agriculture, food and nutrition security as one of the focal sectors for EU aid. A majority of the countries considered food and nutrition-insecure are expected to include agriculture, food and nutrition security as a focal sector in their EU-financed national programme.*

220. (§ 113) The Parliament reiterates its call on the Commission to draw up a specific communication on this dimension [nutrition] and to integrate sound and multi-sectoral nutrition strategies into its development policy.

**Commission's response:**

*A communication on "Enhancing Maternal and Child Nutrition in External Assistance: an EU Policy Framework" – COM (2013)141 - was adopted on 12 March 2013. During the recent "Nutrition for Growth" event organised by the UK in June 2013, the EU committed to spend 3.8 billion Euros on programmes relevant to nutrition between now and 2020.*

221. (§ 114) The Parliament calls on the Commission to set more realistic and measurable objectives for the interventions and to improve their definition in the general budget support programmes, where special attention should be given to encouraging entrepreneurship among the growing young population and addressing the discrimination against women in the agricultural sector.

**Commission's response:**

*General Budget Support or Good Governance and Development Contracts (GGDC) under the new policy, provide budget support to a national development or reform policy and strategy. The policy, commits to use budget support effectively to support poverty reduction and the use of country systems, make aid more predictable and strengthen partner countries' ownership of development policies and reforms. GGDCs specific objectives focus on fostering domestic accountability and strengthening national control mechanisms, or on strengthening core government systems and supporting broader reforms, such as macroeconomic management, public financial management (including procurement and the fight*



*against corruption). Improved government systems should lead to improved impacts also concerning MDG indicators and cross-cutting service delivery aspects. Targets within operational sectors such as entrepreneurship or discrimination against women is dealt with by using sector support programmes when appropriate.*

222. (§ 115) The Parliament remains convinced of the importance of scaling up the nutritional aspect of development aid for food security and requests that the Commission provide a written report on its progress on this by the spring of 2013.

**Commission's response:**

*The Commission will produce an Action Plan showing how it will implement the Communication on Nutrition. This Action Plan is expected to be ready in the first half of 2014 and could be shared with the Parliament. However, the Commission does not intend to produce a separate report for the Parliament.*

**SR 2/2012 - Financial instruments for SMEs co-financed by the European Regional Development Fund**

223. (§ 127) The Parliament calls on the Commission to introduce relevant requirements, including quantified benchmarks, regarding the role and application of the ex ante assessment into the relevant regulation as part of the basic act; considers that the issue of revolving provisions should also be tackled in the legislative proposal for the next programming period.

**Commission's response:**

*Provisions on ex-ante assessment requirements and the use of revolving funds have been made respectively under Articles 32(2), 37, 38 and 39 of the Common Provisions Regulation, as agreed by the co-legislators European Parliament and Council - the trilogue on Title IV was concluded on 2 July 2013. The recommendation of the European parliament has been implemented by the co-legislators following Commission's proposals.*

224. (§ 128) The Parliament notes that Structural Funds regulations allow establishing a preference for the private sector compared to the public and invites the Commission to find appropriate justification for this privileged position, inasmuch as this treatment could limit the ability to repossess the excess funds and the possibility to allocate them to other SMEs.

**Commission's response:**

*The recourse to preferential treatment is an important factor to attract private investors to co-invest with public funds in areas of high risk/low return, pursuing public policy objectives. Without a certain amount of preferential treatment providing private investors a reasonable expectation of financial returns (within the limits of State aid) it cannot be expected that private sector investors will play an important role to achieve cohesion policy objectives. In the programming period 2007-2013 preferential treatment concerns only the gains and other earnings generated by investments, as foreseen in Article 43(5) of Regulation 1828/2006. The justification of the preferential treatment of the private sector as regards returns from investments has been embedded in the cohesion policy legislation but also in the State aid legislation.*

225. (§ 136) The Parliament calls on the Commission to take action, without delay, regarding the findings of the Court of Auditors; considers particularly important that, in the future, the ERDF's ability to leverage in private investments that match public contributions is increased.

**Commission's response:**

*Since in cohesion policy, governed by the principle of shared management, the national or regional authorities play a fundamental role in the design and delivery of the programmes the legislative framework needs to maintain a certain level of flexibility in order to enable a smooth implementation of financial instruments in all European regions. Therefore the future regulation envisages that an estimate of additional public and private resources to be potentially raised (expected leverage effect) will be part of obligatory ex-ante assessment of each financial instrument.*

226. (§ 137) The Parliament calls on the Commission and Managing Authorities to avoid delays in delivering SME access to finance mainly with origin in administrative, legal, organisational or strategic reasons.

**Commission's response:**

*The delays in implementation of financial engineering instruments were in most cases explained by the novelty of the instruments in cohesion policy context and State aid related issues. Furthermore, the report of the Court of Auditors took place at a relatively early stage of development and implementation of financial engineering instruments within the seven year cohesion policy programming and implementation cycles. Data reported at the end of 2011 showed that the rates of disbursement of financial instruments for SMEs were in line with the average rates of disbursements of cohesion policy funds across all forms of financing. It is expected that in the next programming period, the development of "off the shelf" instruments will limit delays.*

227. (§ 138) The Parliament urges the Commission to submit an integrated, clarifying proposal as soon as possible on the problems caused by the current range of definitions of SMEs, which vary in the Union according to the different purposes or objectives, and to propose possible ways of remedying the situation.

**Commission's response:**

*At EU level there are two SME Definitions :*

*The first one is provided under the Commission's Recommendation 2003/361/EC. It concerns over 22 million enterprises and it is managed by DG Enterprise and Industry. It is used mainly to identify a market failure related to the small size of an enterprise, which deserves public intervention, [competition cases (in particular state aid cases), eligibility for participation in EU funded projects, statistical purposes etc.]*

*The second one is provided under the Accounting Directive 1978/660/EEC and it concerns only legally registered companies (currently 7.2 million) and is managed by DG Internal Market. It is used to release registered SMEs from a number of accountancy reporting obligations.*

*In the recent past the Commission has considered a possible alignment of the two SME definitions. Such an alignment, although in principle desirable, would in reality create significant difficulties since the Directive and the Recommendation are addressing different groups or populations of SMEs and more importantly pursue divergent objectives. Accountancy reporting obligations are in the public interest since they provide economic actors with valuable market information. Increasing the financial ceilings of the Directive to the level of the Recommendation would in practice lead to a complete elimination of the information collected since the Recommendation applies to 99% of enterprises.*

*The Commission monitors regularly the implementation of the Recommendation on SME definition. A comprehensive study on the implementation of the Recommendation was completed last year. The study concludes that the Recommendation has worked well up until now and there is no need for a major revision of the SME definition at the present time. An eventual update of the Definition will be necessary to adjust for inflation, labour productivity and*

*changes in the ratio of turnover to balance sheet total, but these changes are not urgent and may be incorporated into a future revision.*

*The study proposes some recommendations to clarify the application of certain rules which can be implemented without changing the existing Recommendation, for example by means of further guidance provided in a set of Frequently Asked Questions on the ENTR SME definition website or by updating the current SME definition user Guide.*

*The Commission has endorsed the findings of the study, a letter from Vice-President Tajani was sent to Ms Sartori, Chair of the Committee of Industry, Research and Energy (Ares(2013)1541163-30/05/2013).*

228. (§ 143) The Parliament recommends that in light of the combined complexity of FIs, shared management and the State aid and Structural Funds rules, the Commission should improve the communication and monitoring systems between the Commission, the Managing Authorities and the beneficiaries (the financial intermediaries) and provide for, given the new provisions of the 2007-2013 regulatory framework, better guidance and advice.

**Commission's response:**

*The Commission is taking the requested action. It proposed more comprehensive legal framework on financial instruments in 2014-2020 and reinforced reporting provisions under the current programmes (2007-2013). The proposal includes clear and detailed rules for financial instruments and extensive provisions on reporting and monitoring. It will provide the appropriate guidance, manuals and trainings for the next programming period to ensure that the MS authorities are aware of the legal requirements and procedures to fulfil their obligations under the system of shared management.*

229. (§ 144) The Parliament invites the Commission to also follow the Court of Auditors' recommendation regarding agreement with Member States on a small number of measurable, relevant, specific and uniform result indicators for FIs, which would strengthen both monitoring and auditing processes.

**Commission's response:**

*The requested action has been taken. The Commission's proposals for post-2013 regulations included more detailed provisions on reporting and monitoring to be reported by the managing authorities to the Commission within annual implementation reports. Managing authorities will have to report on the contribution of financial instrument to the achievement of the indicators of the priority or measure concerned. However, in shared management rules, the Commission's capacity to monitor and report on the effective implementation of financial instruments is limited by the monitoring and reporting data provided by managing authorities who limit themselves to the mandatory reporting obligations foreseen by the regulations.*

230. (§ 151) The Parliament asks that lessons learnt from the current programming period be reflected when designing the proposals for the Structural Funds regulation; considers in particular that proposals should be oriented towards performance and results rather than mere compliance.

**Commission's response:**

*The requested action has been taken. The Commission has proposed a detailed and comprehensive framework for the future. It will allow achieving the right balance between a stable framework and increased effectiveness. It encourages and facilitates the implementation of financial instruments while ensuring sound financial management. In the proposed framework the payments to the financial instrument and the level of management cost and fees will be conditional on performance.*

231. (§ 152) The Parliament encourages the Commission and the Member States, in particular, to agree on a small number of measurable, relevant, specific and uniform result indicators for FIs.

**Commission's response:**

*The Commission's proposals for post-2013 regulations included more detailed provisions on reporting and monitoring to be reported by the managing authorities to the Commission within annual implementation reports. Managing authorities will have to report on the contribution of financial instrument to the achievement of the indicators of the priority or measure concerned. However, in shared management rules, the Commission's capacity to monitor and report on the effective implementation of financial instruments is limited by the monitoring and reporting data provided by managing authorities who limit themselves to the mandatory reporting obligations foreseen by the regulations.*

232. (§ 153) The Parliament shares the opinion that the Commission should explore the possibility of supplying to the Member States off-the-shelf financial engineering structures and instruments for SMEs (e.g. grants with royalties, dedicated investment vehicles) only where these would result in speeding up implementation and in reducing management costs, though in such a way that this precondition does not excessively impair SMEs' opportunities of making use of those funding schemes.

**Commission's response:**

*The Commission is taking the requested action. In view of encouraging and facilitating the implementation of financial instruments Member States and managing authorities will have more implementation options in 2014-2020. Existing instruments can be continued and new instruments can be tailored to specific regional circumstances. To facilitate the task of Managing Authorities, standardised financial instruments, also called off-the-shelf instruments, with pre-defined terms and conditions will be offered as an option. Moreover, Member States will have the possibility to contribute ring-fenced contributions from operational programmes to existing EU-level instruments such as COSME or HORIZON 2020.*

233. (§ 155) The Parliament takes the view that the Commission should propose a common definition of multiplier effect, standard concepts of recycling in the Structural Funds regulations, depending on the type of holding fund or fund as well as require contractually binding minimum leverage ratios and minimum revolving periods and data for the calculation of leverage indicators; considers that the concept of added value should be regarded as a relevant component in the calculation of leverage ratios in order to achieve relevant policy objectives as well as take market conditions into account; considers that to this end it would be advisable to articulate



the concept of European added value in the legal framework for the 2014-2020 period.

**Commission's response:**

*The Commission is taking the requested action. The common definition of multiplier effect (leverage effect) is agreed and provided in financial regulation (Article 140(2)(d)).*

*The future regulation envisages that an estimate of additional public and private resources to be potentially raised (expected leverage effect) will be part of obligatory ex-ante assessment of each financial instrument.*

*As regards revolving period, the future regulation requires that resources paid back to financial instruments generated during a period of at least ten years after the end of eligibility period are used in accordance with the aims of the programme within the same or other financial instrument.*

*Financial instruments in the context of cohesion policy are mere optional vehicles for the delivery of the policy. Added value must be seen therefore in relation to the policy objectives. The concept of added value in relation to financial instruments appears in the regulatory provisions on ex-ante assessment under Article 32. Namely, support of EIF funds to financial instruments should be restricted to those cases of established evidence of market failures or sub-optimal investment situations. Furthermore, the Managing Authorities are obliged to carry out a thorough assessment of value added of financial instruments before any programme contribution is made to financial instruments.*

234. (§ 156) The Parliament asks the Council and the Commission to consider alternative ways of pursuing SME support through financial engineering instruments if the cohesion policy framework were to be considered unsuitable.

**Commission's response:**

*The requested action has been taken. Under the current legislative framework it is not possible to support the Member States within the framework of cohesion policy through centrally managed programmes (Article 12 of Regulation 1083/2006).*

*However, the Commission's proposal for the future cohesion policy, provides in Article 33(1)(a) for the possibility of programme contribution to EU level financial instruments. The proposal includes also incentives regarding the higher co-financing rate for contributions to financial instruments set at EU level, as foreseen in Article 110(7). It will be entirely up to each Member State and region to decide on the type of financial instruments which they wish to implement.*

**SR 3/2012 - Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?**

235. (§ 160) The Parliament notes that around 75 % of the requests based on annual reports as referred to in Article 13 of Commission Regulation (EC) 438/2001 were not followed by financial corrections; calls on the Commission, therefore, to provide information on the reasons for the absence of financial corrections in this context.

**Commission's response:**

*The Commission provides the following information on the reasons for the absence of financial corrections in this context. Article 13 reports of the 2000-2006 programming period were annual reports containing a summary of audit results based on systems audits and audits on operations based on risks and non-statistical samples of operation. They cannot be compared to the Annual Control Reports of the audit authorities of the current programming period, since there was no audit opinion and no statistical error rates. It was not in the "nature" of these reports to trigger a straightforward financial correction by the Commission, which had to ask further information from Member States before launching any financial corrections. This is explained by the Court when it says "they were necessarily formulated in general terms as detailed information on deficiencies was not available". The Commission is, therefore, not in a position to provide the requested information. Moreover, the Court recognizes in paragraphs 23 and 26 of the report that its "examination of 210 programmes, for which significant deficiencies had been identified between 2006 and 2008, shows that the Commission took action in all cases" and that "when it identified errors on projects which were potentially systemic in character, the Commission requested action to be taken with regard to other expenditure that was likely to be affected". Therefore, the Commission could not trigger direct corrective action from the article 13 reports in the previous programming period.*

236. (§ 161) The Parliament asks the Commission to apply a coherent approach to demands for first-level checks and to provide information for the programming periods after 2000-2006.

**Commission's response:**

*The requested action has been taken. Weaknesses in first level checks were observed for some programmes of the 2000-2006 programming period since there was no regulatory threshold for the coverage of the first level checks. However, the Commission took corrective actions:*

- 1) When detecting such weaknesses, it systematically requested the MS to take corrective actions (see Commission reply for paragraph 13 a) and box 5);*
- 2) For the 2007-2013 programming period, 100% desk checks are required by Art 13 (2) of Regulation (EC) No. 1828/2006 (see the Commission's reply to paragraph 9a of the Court's report)).*

*The Commission continues to take action through support to Member States, advice and specific audit work (risk-based). See also the Commission's replies to § 1i, § 75, § 168 and § 193.*

237. (§ 162) The Parliament asks the Commission to disseminate even more extensively elaborated checklists and best practice manuals (with special focus on eligibility

rules) to be followed by the Member States and to strengthen its supervision on how these elements are taken into account.

**Commission's response:**

*The Commission notes that this request was already part of the draft discharge report for SR 3/2012 and was turned down by the CONT committee.*

*This request does not bring any added value to what is currently done by the Commission on first level checks and eligibility rules. In general, sufficient guidance documents have already been provided to the MS on management verifications (COCOF 08/0020/04) and eligibility rules (COCOF 07/0029/01). Please refer also to Commission reply to point 85, recommendation 1, third indent of the Court's SR 3/2012.*

*Therefore, this recommendation is either:*

- "implemented" for some parts (checklists already disseminated and supervision strengthened on the respect of eligibility rules) and*
- "implemented in a different manner". Instead of disseminating best practise manuals, seminars on simplification organised in some MS with recurrent problems and targeted actions plans seem to be more efficient.*

*Weaknesses in first level checks were observed for some programmes of the 2000-2006 programming period since there was no regulatory threshold for the coverage of the first level checks. For the 2007-2013 programming period, 100% desk checks are required by Art 13 (2) of Reg. 1828/2006 and are complemented by on-the-spot verifications by managing authorities to samples of risky operations. The recommendation of the EP has already been implemented.*

*The Commission continues to take action through support to Member States, advice and specific audit work (risk based). A DG EMPL analysis of the Court's results also shows that some errors could have been clearly avoided by simplification measures at national level, including both simpler eligibility rules at national level and further leveraging the application of simplified costs options (lump sums, standard scale of unit costs and flat rates for the declaration of indirect costs) in certain Member States.*

*Therefore the Commission keeps on encouraging and supporting national authorities in their efforts of simplification, in particular the effective implementation of the simplified costs options. In this regard, besides the Sectoral Event on Simplified Costs held on 13 December 2011, to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities have already taken place for that purpose, focused on Member States where the potential for simplified cost is high. Seminars in Spain, Portugal, Hungary and Bulgaria have taken place in 2012. Two additional seminars were organized in 2013 in Croatia (January) and Romania (April). Besides contributing to a further reduction in error rates and error frequency, the effective implementation and increased use of these options would also significantly reduce the administrative burden on beneficiaries and the cost of control.*

238. (§ 168) The Parliament calls on the Commission therefore to fully enforce measures as stated in the action plan for the 2007-2013 programming period and beyond (COM(2008)0097); expects in this context from the Commission a considerable and

steady decrease in error rates, in particular of programmes that are expected to have the highest error rates.

**Commission's response:**

*The Commission has taken the requested action.*

*Regarding the action plan for the 2007-2013 programming period and beyond, the Commission has published an impact report in February 2010 (COM(2010)0052), providing information on all measures taken as well as on the implementation of additional actions taken by the Commission under the Joint Audit Strategy for Structural Actions. Follow-up was given in each AAR of DG REGIO and DG EMPL since 2010 and through ad hoc reports and reporting on financial corrections.*

*However, the Commission considers that expecting a steady decrease of the error rate goes beyond the possibilities of the Commission under shared management, taking also into account the audit approach by the Court (yearly snapshot) compared to implementation of the programmes (multiannuality, with corrections at different levels, at latest at closure). However, since 2009 the Court estimates error rates for cohesion policy which are much below the ones reported for the period 2000-2006.*

*The Commission notes that this paragraph was already part of the draft discharge report for SR 3/2012 and was turned down by the CONT committee.*

239. (§ 169) The Parliament calls on the Commission to prioritise the earliest possible scrutiny, assessment and follow-up action in its future management oversight of these [structural] funds.

**Commission's response:**

*The Commission is taking the requested action and will take it into account when preparing the control procedures for the 2014-2020 programming period, both for MS (audit strategy) and for the Commission (assurance model).*

240. (§ 170) The Parliament calls on the Commission to endorse fully the Court of Auditors' recommendations.

**Commission's response:**

*The Commission has already implemented four of the five recommendations from the Court's report. The fifth recommendation on arrangements regarding the possibilities for substitution of ineligible expenditure is expected to be implemented at the beginning of the next programming period.*

241. (§ 171) The Parliament asks the Commission to make efforts to ensure that Member States do not affect the continuity of programmes by changing entities, systems and personnel responsible for Structural Funds control, that had already been certified as effective by the Commission.

**Commission's response:**

*The Commission is not in a position to implement this recommendation, since it is not in line with the principle of shared management to intervene in the internal organisation of national authorities. As long as regulatory obligations are fulfilled by Member States, the Commission cannot impose specific conditions in relation to*

*their administrative organisation. The Commission however does encourage Member States to avoid high turnovers. In case of detected deficiency following reorganisation/staff shortage or turn-over, the Commission has legal instruments to force MS to ensure appropriate systems, such as interruptions, suspensions and financial corrections, if EU reimbursements are at risk.*

242. (§ 172) The Parliament asks the Commission therefore to provide information on the impact of those [financial] corrections on the overall error rate for the 2000-2006 programming period.

**Commission's response:**

*The requested action has been taken. The Commission recognises the crucial importance of a solid reporting in this area as a mitigating impact of its corrective mechanisms against the Court's reported error rate and is, under the lead of DG BUDG, already working on this. See also the Commission's reply that relates to the 2011 EP discharge recommendation 1(a).*

*As regards cohesion policy, an "accounting exercise" on financial corrections including at closure 2000-2006 has been provided to Parliament on 12 April 2013 (Ares(2013)689652).*

*However, no "overall", representative error rate for the policy is available for the 2000-2006 period (DAS error rate reported by the ECA since 2006 only; Member States reported error rates per programme but which were based both on representative and risk based criteria). This will only be available for the current period (including through the Commission new approach on a "cumulative residual risk").*

243. (§ 174) The Parliament urges the Commission to implement this recommendation [indent 2 of the Court of Auditors' recommendation 1].

**Commission's response:**

*The requested action has been taken and belongs to the day-to-day audit work of the Structural Funds DGs. Auditing the work of national audit authorities is precisely the principal enquiry in the Commission's audit strategy for 2007-13 programmes. The Commission is implementing a multiannual audit enquiry with the key objective to review the work of the audit authorities most at risk, in order to be able to rely on their annual audit opinions. The Commission review on audit authorities, started in 2009, was also an opportunity to develop capacity-building actions towards national audit authorities, as further explained in the 2010 AARs of DG REGIO and DG EMPL. This allowed improving the work of the reviewed authorities. Focus has therefore been put on ensuring that audit authorities produce robust audit opinions and error rates on programmes. The Commission services report each year in their AARs on the result of their analysis of error rates and how they used them to quantify the amounts at risk (DG REGIO and DG EMPL AARs since 2010, section 3).*

244. (§ 175) The Parliament calls on the Commission to finalise the closure of the 2000-2006 programming period duly taking into account the Court of Auditors' observations and to report to Parliament on how the Commission will ensure legality and regularity in the process.



**Commission's response:**

*The Commission is taking the requested action. The Commission recognises the crucial importance of a solid reporting in this area as a mitigating impact of its corrective mechanisms against the Court's reported error rate and is, under the lead of DG BUDG, already working on this. See also the Commission's reply that relates to the 2011 EP discharge recommendation 1(a).*

*As regards cohesion policy, an "accounting exercise" on financial corrections including at closure 2000-2006 has been provided to Parliament on 12 April 2013 (Ares(2013) 689652) showing the state of progress of closure and of financial corrections applies so far.*

*DG REGIO and DG EMPL are now finalising the closure process for some remaining, legally complex issues in some programmes for which legal proceedings and hearings with the MS are necessary before closure can be finalised.*

245. (§ 176) The Parliament calls on the Commission, furthermore, to take into account the lessons learned from the Court of Auditor's report and to monitor the implementation of structural actions for the 2007-2013 period and to bear in mind the Court of Auditors' observations in the discussions on the future structural actions for the period 2014-2020.

**Commission's response:**

*The Commission is taking the recommended action. In the current programming period, the Structural Funds DGs have updated their methodology and introduced in its AARs a stronger annual supervision based on a cumulative residual risk of error year after year, so that at closure only residual problems will remain to be solved. This estimated cumulative residual risk is used to confirm whether corrective measures already implemented by Member States had adequately mitigated the risks of irregularities since the beginning of the programming period. As a general rule, a cumulative residual risk above 2% leads to a reservation, followed by interruptions and/or suspensions for the concerned programme. This will allow identifying the residual risk after all corrections were taken during programme implementation. Guidelines for closure 2007-2013 were already presented to Member States.*

*For the next programming period for 2014-2020, the Commission has proposed a number of provisions for management and control systems ensuring the prevention and detection of irregularities, including fraud, and thus reasonable assurance on the regularity of expenditure. At the same time the delivery system should be as simple and streamlined as possible to ensure efficient implementation and the reduction of administrative burden for beneficiaries. The options proposed for cohesion policy include inter alia different reimbursement options (based on real costs and simplified cost options), a proportional approach to control arrangements, retention of 10% on interim payments until accounts are certified each year, introduction of management declarations to improve accountability at programme level, the provision of net financial corrections once the accounts are certified to the Commission as well as eGovernance. If implemented, these provisions reduce error rates at the beneficiary and administrative level.*

246. (§ 177) The Parliament believes strongly that the Commission should deepen its involvement in the Structural Funds scrutiny process by further assisting and supervising Member States' management and certifying authorities as well as the winding-up bodies, throughout all phases of implementation and verification, in order to ensure an even more efficient and less time and resource consuming process.

**Commission's response:**

*The requested action has been taken. The Commission is constantly assisting and supervising Member States' management and control systems. It refers in particular to its constant audit work reflected in the Structural Funds DG's, and guidance and capacity building provided throughout the programming period, as referred in various ad hoc reports and AAR.*

*See also Commission's reply to § 176.*

**SR 4/2012 - Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment?**

247. (§ 188) The Parliament calls on the Commission to fully endorse the Court of Auditors' recommendations to use result and impact indicators not only at priority level, but – with a scope appropriate to the possible impact of a single project – also at project level.

**Commission's response:**

*The Commission considers that the appropriate level to establish and to assess performance indicators is at priority level rather than at project level. Moreover, for the 2007-2013 period, major projects already include performance and result indicators. The Commission's proposals for the 2014-2020 programming period also provide for the definition of indicators for each priority (common and specific programme indicators) to assess progress in achieving the objectives. As a result, the regulatory framework for 2014-2020 has been designed to allow for a better monitoring of the expected results of each project included in the co-financed programmes.*

248. (§ 188) The Parliament calls on the Commission to introduce an arrangement whereby assessment of the results and impact of investment in transport infrastructure is carried out after completion of the construction work, at a time when its results and impact can be expected to have become apparent.

**Commission's response:**

*The Commission considers that it has sufficient data covering the most appropriate period to evaluate results and impact of the projects. According to the results of the evaluation of the 1994-1999 projects carried out by the Commission in 2012, on average, the minimum time needed to evaluate the effects is at five years after project completion.*

249. (§ 188) The Parliament calls on the Commission to carry out an analysis comparing the average completion time and the quality of administrative procedures across the Member States in cases of comparable co-funded projects, in order to recommend the implementation of best practice.

**Commission's response:**

*The Commission shares the principle of this recommendation. However, it highlights that there is a risk that its usefulness might be limited, given the difficulties in the implementation of the identified "best practices" in different administrative contexts. In the AARs of DG REGIO and DG EMPL, the Commission also compares the functioning of the management and control systems in different Member States. In the context of shared management, however, it cannot go beyond an analysis related to the programmes.*

250. (§ 188) The Parliament calls on the Commission to take into consideration the fact that shortfalls from the achievement of set milestones are not always the result of mismanagement, and exclude in its proposal for a performance framework the refusal of funds in cases where the failure of investments to produce the desired results could not have been prevented and/or could not have been foreseen from an ex ante perspective.

**Commission's response:**

*The Commission shares the approach and has proposed, in the regulatory framework for 2014-2020, financial corrections for the future to achieve the set targets in terms of performance. These corrections will take into account the circumstances linked to the underperformance as mitigating factors, when necessary or reasonable.*

251. (§ 188) The Parliament calls on the Commission to increase the amount of information available about the progress of projects, and demand remedies for discovered shortcomings as a prerequisite for further funding; notes that a lack of information on project implementation is intolerable.

**Commission's response:**

*The Commission uses all the means at its disposal under shared management. It will also continue to follow-up during the monitoring committees meetings, bilateral meetings and technical meetings the implementation of projects and identify potential problems. Member States have the obligation to provide at the request of the Commission all information on the implementation of projects, and in general they comply with this obligation.*

252. (§ 188) The Parliament calls on the Commission to carry out analyses of the effectiveness of the training seminars and guidance notes intended to raise awareness of the principles of sound financial management.

**Commission's response:**

*The Commission takes note of this observation and it will examine if it is feasible to carry out this analysis through the results of the evaluations and the performance audits available.*

253. (§ 188) The Parliament calls on the Commission to propose changes to the legal provisions to allow a more effective advisory role in monitoring committees, and carry out an analysis investigating the efficacy of the aforementioned 'other tools' intended to influence effective spending.

**Commission's response:**

*The Commission agrees on the usefulness of strengthening its role in the monitoring committees and has made proposals in that sense for the 2014-2020 period. However, it stresses that the Commission's role in these committees is complemented by annual and bilateral meetings with the competent national or regional authorities where the problems identified by the Commission are discussed. In addition, the Commission proposed for the new regulatory framework for cohesion policy various measures to ensure the effectiveness of the policy (focus on results, performance framework, performance reserve ...).*

## SR 5/2012 - The Common External Relations Information System (CRIS)

254. (§ 191) The Parliament calls on the Commission to define the role of CRIS and its objectives, as they have not been updated since the system became operational in 2002, in spite of the numerous changes to its content.

**Commission's response:**

*The long-term vision on DG DEVCO's information systems was initially defined in 2009. It was later updated in 2011 in the light of the new policies at Commission level concerning rationalisation of information systems and in particular the role of CRIS in relation to ABAC. This strategic vision is now described in the document "Stratégie des systèmes d'information de la DG EuropeAid jusqu'à 2016", approved by the DEVCO IT Steering Committee in December 2011.*

255. (§ 198) The Parliament calls, nevertheless, on the Commission to remedy those weaknesses [the fact that information provided to Parliament as discharge authority may be unreliable] as quickly as possible to ensure the sound financial management of CRIS; suggests that particular attention be paid to avoiding duplication of functions as this is inefficient and risks erroneous data entries.

**Commission's response:**

*The duplication of functions does not entail any duplication in the data encoding process; therefore there are no risks of erroneous data entries. The financial operations are strongly monitored and followed by correction or reconciliation processes. The way financial data are processed in CRIS is regularly validated by the account office in the Commission. The Commission has established an Action Plan to eliminate the duplication of functions between ABAC and CRIS. For example, the guarantee module will be phased out in 2014.*

256. (§ 205) The Parliament calls on the Commission to address all shortcomings and recommendations presented by Parliament and the Court of Auditors without further delay.

**Commission's response:**

*The Commission is addressing the Court of Auditors' and the European Parliament's recommendations through the elaboration of appropriate and well-defined action plans. DG DEVCO is regularly monitoring and reporting on the timely implementation of these action plans.*



## SR 6/2012 - European Union Assistance to the Turkish Cypriot Community

257. (§ 211) The Parliament asks the Commission, in supporting the Committee on Missing Persons, to call upon the Turkish military forces to facilitate access to military zones.

**Commission's response:**

*The Commission welcomes the fact that the Committee on Missing Persons (CMP) now has quicker access to military areas; it will certainly speed up the process. The Commission hopes that this will continue and welcomes Turkey's support for this important bi-communal reconciliation oriented project. There is, however, a need to decrease dependency on EU funding for the CMP. The Commission hopes that Turkey can allocate more funds for the project.*

258. (§ 227) The Parliament recommends to the Commission to take into consideration the accumulated experience in the implementation of the programme and, if necessary, propose measures for its further improvement and inform Parliament accordingly.

**Commission's response:**

*Learning from experiences is part of the normal programme cycle. Evaluations are routinely carried out and an overall programme evaluation will be completed in 2013. Output from evaluations and audits are fed into the annual programming exercise. The Commission reports annually on the implementation of Regulation 389/2006 to the European Parliament.*

259. (§ 228) The Parliament recommends to the Commission to keep pursuing the five objectives of Regulation (EC) No 389/2006, supporting among others, bi-communal measures, confidence building projects, missing persons related activities, civil society (including the Armenian and Maronite minorities), the preservation and restoration of historical sites, environmental protection as well as the economic and social development and the implementation of the *acquis communautaire*.

**Commission's response:**

*The Commission remains committed to the aims of the Aid Regulation, including all areas mentioned in the Parliament recommendation. The value of the bi-communal and confidence building measures is fully appreciated, but the Commission has to balance the needs of each objective and aid absorption capacity of the beneficiaries. The Commission strives to maintain direct contact with and assistance to civil society including NGOs, other groups and individuals. The Commission reports annually on the implementation of Regulation 389/2006 to the European Parliament.*

**SR 7/2012 - The reform of the common organisation of the market in wine: Progress to date**

260. (§ 240) The Parliament strongly encourages the Commission to ensure that an appropriate strategy is in place to avoid unbalances [regarding wine].

**Commission's response:**

*The key goal of the wine reform is to enhance the competitiveness of EU wine producers. The restructuring measure is one of the measures which allow vine growers to gain market shares by improving the quality of wines and by adapting their vineyards to the market demand. Lower production costs and higher yields, in particular if combined with improved quality, can contribute decisively to make the sector more competitive. In this sense the grubbing-up measure was a measure for uncompetitive vine growers and was not aimed at reducing the volume of production of competitive wines.*

*Both grubbing-up, investment and restructuring measures focus to adapt the production to the market demand.*

*A second programming period (2014-2018) is now on-going. 15 MS national programmes were received by the Commission. The Commission is in permanent contacts with Member States during the examination of the national support programmes with the view to ensuring that the goals of the Reform are met. 85 % of the budget is allocated to three structural measures: promotion in third countries, restructuring and conversion of vineyards and investments. These measures are targeted to improve the competitiveness of operators and therefore to avoid unbalances.*

261. (§ 242) The Parliament is of the opinion that the Commission should review the restructuring measures to reinforce their effectiveness and maintain measures from the previous programme that proved successful in order to boost the sector competitiveness.

**Commission's response:**

*The Commission modified several times Commission regulation (EC) No 555/2008 on the restructuring and conversion measure with the view to clarifying rules for Member States. DG AGRI guidelines on restructuring and conversion measure was approved on 25.2.2013. The guidelines permit Member States to implement the measure well focused to increase competitiveness of the sector.*

*A second programming period (2014-2018) is also on-going and 15 national programmes are under examination. The restructuring and conversion measure is one of the key measures implemented by Member States to enhance the competitiveness of wine operators.*

262. (§ 242) The Parliament expects the Commission to ensure that the Member States' national programmes and the restructuring and conversion measures are in line with the objective of the reform, especially the Single Payment Scheme.

**Commission's response:**

*The Commission modified several times Commission Regulation (EC) No 555/2008 on the restructuring and conversion measure with the view to clarifying rules for Member States. DG AGRI Guidelines on restructuring and conversion*

*measure was approved on 25.2.2013. The guidelines permit Member States to implement the measure well focused to increase competitiveness of the sector.*

*As regards the Single Payment Scheme, the regime was adapted by Regulation (EC) No 568/2012 which modifies Regulation (EC) No 555/2008 with the view to harmonising the scheme among sectors. As from the 2014 financial year onwards, Member States may decide to transfer definitively amounts from the wine envelope into the Single Payment Scheme.*

263. (§ 242) The Parliament asks the Commission to improve the current provisions to enable farmers to better adapt to market signals and better match the supply to the products demanded.

**Commission's response:**

*The Commission modified several times Commission regulation (EC) No 555/2008 on the restructuring and conversion measure with the view to clarifying rules for Member States. DG AGRI Guidelines on restructuring and conversion measure was approved on 25.2.2013. The guidelines permit Member States to implement the measure well focused to increase competitiveness of the sector.*

264. (§ 243) The Parliament calls on the Commission to promote measures to safeguard the Union's best winemaking traditions.

**Commission's response:**

*The National Support programme is targeted to enhance the competitiveness of wine producers, while ensuring quality and adaptation to market signals. Restructuring and conversion of vineyards, investment and promotion in third countries target also traditional and quality wine products.*

265. (§ 244) The Parliament considers that the Commission should establish a regularly updated estimate of the balance between supply and demand in the wine sector based on statistical analysis of the sector variables, taking into account positive output effects of restructuring and conversion measures; believes that on the basis of that estimate, it should have determined the targeted area for the grubbing-up measure and is of the opinion that in the future, it should evaluate whether the improvement of any other measures is necessary to address possible imbalances on the basis of that estimate.

**Commission's response:**

*The Commission evaluates the situation of the wine market periodically and in particular the report to Council and Parliament addressed all the key elements of the reform and assessed whether any measures are needed to address possible imbalances.*

*Currently, the wine market is balanced or suffering from a shortage of supply, following a reduction of the production potential of 300 000 ha over the last years and two consecutive low harvests.*

*It must be reminded that the grubbing-up scheme ceased in 2011 and it is not intended to reinstall it.*

266. (§ 245) The Parliament asks the Commission to evaluate the potential consequences of the elimination of this regime [the planting rights liberalisation] in order to adopt the most convenient decisions to guarantee the balance of the wine market.

**Commission's response:**

*In the 2008 wine reform, EU Agricultural Ministers agreed to extend the end of the system of wine planting rights from 2010 to 2015 - or 2018 if a Member State so decides, bearing in mind that the decision on the expiration of such a system in 2010 was already taken in 1999.*

*In reaction to the call from a number of Member States for planting rights to be extended beyond 2015, Commissioner Ciolos took the initiative to set up a High Level Group on planting rights to discuss the planned end of the transitional planting rights system, in particular its functioning and its impacts in the wine sector.*

*The High Level Group concluded its work in December 2012. The report has various analysis on the potential consequences of the elimination of the prohibition to plant. In the final conclusions, the HLG recommends to put in place a system of authorisations of new plantings to ensure an orderly growth of the wine plantings in Europe. There would be an EU safeguard clause to avoid an excessive growth of plantings, with flexibility to Member States in its implementation.*

*In 2013 the Irish Presidency proposed a legal text on the wine authorisation regime. The proposal was deeply discussed in the trilogues (Commission, Council and EP) on the post 2013 CAP Reform. A political decision was reached in June 26th. It is expected that the post 2013 CAP reform enters into force in 2014.*

267. (§ 247) The Parliament urges the Commission to take measures ensuring that Member States that use flat rates per ha to calculate payments install proper control mechanisms for paying agencies guaranteeing that farmers are not overcompensated, standardise the estimation of costs so that variations in estimated costs for comparable measures are reduced to a minimum.

**Commission's response:**

*DG AGRI guidelines on restructuring and conversion measure approved on 25.2.2013 focuses among others on flat rates, with the view to avoiding any overcompensation to farmers when using flat rates.*

268. (§ 248) The Parliament urges the Commission to take adequate action to establish comparability and an acceptable level of standardisation for measures based on Article 103q of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation).

**Commission's response:**

*The Commission modified several times Commission Regulation (EC) No 555/2008 on the restructuring and conversion measure. DG AGRI Guidelines on restructuring and conversion measure was approved on 25.2.2013. These adaptations address, among others, the issue of comparable standards.*

269. (§ 250a) The Parliament asks the Commission to relaunch a policy to promote the wine sector and improve its competitiveness in the internal market, including information campaigns for adults on responsible consumption of wine, and on its specific qualities and features, which highlights the cultural roots of European wines.

**Commission's response:**

*The post 2013-CAP Reform was under discussion between the three Institutions (trilogies). Wine national support programmes, including wine promotion measure and the point raised by EP were under discussion. The Institutions reached a political agreement on June 26th, including on the point raised by the EP. According to the political agreement, information campaigns with the EU for on responsible consumption of wine, and on PDO/PGI wine scheme will be possible in the future.*

270. (§ 250b) The Parliament calls on the Commission to study an European strategy to increase exports to third countries.

**Commission's response:**

*A report on the promotion of wine on third country markets was communicated to the European Parliament and to the Council in November 2011 (COM(2011) 774 final).*



**SR 9/2012 - Audit of the control system governing the production, processing, distribution and imports of organic products**

271. (§ 262) The Parliament asks the Commission to bring forward initiatives and regulatory proposals aiming to ensure that all the weaknesses pointed out by Special Report No 9/2012 are remedied by the end of 2013.

**Commission's response:**

*Several initiatives have already been and are being implemented.*

*Audits by the Food and Veterinary Office in DG SANCO, in close collaboration with DG AGRI, resumed in 2012 and are planned to take place in the course of 2013 both in Member States and in Third Countries to verify the effective functioning of the organic control system.*

*So far, eight audits have been carried out (five in Member States and three in Third Countries), and six are planned for the remaining part of 2013 (four in Member States, one in a Third Country and one on a recognised Control Body for the imports of products under equivalency).*

*In addition, the Commission is making constant efforts to strengthen supervision and control arrangements through regulatory proposals.*

*Commission regulation No 1235/2008 with the implementing rules on imports of organic products from third countries and Commission regulation No 889/2008 with the implementing rules on the control system for organic production were amended for that purpose respectively in February and April 2013.*

*The new control provisions, applicable as from 1 January 2014, enhance the exchange of information between operators, control bodies and competent authorities, strengthen the risk-based approach, call for an increased supervision of control bodies by the competent authorities, for the development of a catalogue of sanctions at Member State level, and for more structured reporting to the Commission on supervision and control.*

*The Commission will consider the need for further improvement in the set-up and the functioning of the organic control system, in the light of the results of the audits carried out and as part of the on-going assessment of the EU political and legal framework governing organic production, and will submit a proposal in the first quarter 2014.*

272. (§ 269) The Parliament asks the Commission to introduce appropriate measures to make sure the flow of information is relevant, reliable and timely; in particular, asks the Commission to take appropriate measures to speed up and to increase the reliability of the communications relating to organics certification issues such as those communicated through the "Organic Farming Information System".

**Commission's response:**

*Provisions stipulating exchange of information are contained in the EU Regulations on organic production. There are several channels through which Member States communicate with each other and the Commission: the Organic Farming Information System (OFIS), an IT tool operated by the Commission; the organic farming page of the Communication & Information Resource Centre*

*Administrator (CIRCA); and the Standing Committee on Organic Farming (SCOF).*

*The Commission is aware that improvements can be made and has recently introduced a new module in OFIS for information exchange with recognised control bodies and third countries on irregularities affecting the organic status of imported products. Furthermore, the Commission introduced a 30-day deadline for replying to notifications of such irregularities in its recent amendment to Regulation (EC) No 1235/2008. The amendment to Commission Regulation (EC) No 889/2008 to reinforce and harmonize the control systems for organic products in the European Union, which will apply as from 1 January 2014, includes provisions to ensure timely exchange of information on irregularities and provisions to better structure and improve the quality of information in the multi-annual national control plans and annual reports, inter alia on detected irregularities and infringements and remedial measures.*

**SR 12/2012 - Did the Commission and Eurostat improve the process for producing reliable and credible European statistics?**

273. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(a) since the statistical authorities of the Union and the Member States share a common responsibility for maintaining trust in Europe's democratic process, they should strengthen the system of European statistics in ensuring professional independence, sufficient resources, effective supervision with sanctions and swift improvement of measures for cases where quality standards are not respected.

**Commission's response:**

*The new Decision on Eurostat adopted by the Commission on 17 September 2012 (2012/504/EU) expressly addresses professional independence with respect to Eurostat and clarifies in particular the status and functional responsibilities of the Director-General, who will, among other things, ensure that European statistics are developed and disseminated in line with the European statistics Code of Practice.*

*The Decision also foresees a strengthened planning and programming exercise within the Commission which will improve the production of European statistics.*

*The Commission has been granted specific supervisory powers by the legislator within the legislative packages reforming the Union's economic governance. In this regard, the Commission Delegated Decision on investigations and fines related to the manipulation of statistics as referred to in Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area will give the Commission the necessary instruments for ensuring investigations on-site. This Decision entered into force in November 2012.*

*The Commission also cooperates with the European Court of Auditors and national audit authorities in order to ensure high quality of public finance data.*

**Action:**

*A new round of peer reviews will be launched in 2014 after the development and testing of the methodology in 2013 (see answer to § 323).*

*Adoption of the Regulation of the European Parliament and the Council amending Regulation (EC) No 223/2009 on European Statistics (COM(2012)167) aiming at strengthening the system of European statistics with the objective, amongst others, of clarifying the principle of professional independence.*

274. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should propose amendments to the regulatory framework for the production of European statistics that provide a sound basis for review, enforcement and in appropriate cases, verification and inspection covering the institutional environment of statistical production, the statistical processes and the statistical output both at Union and national level.

**Commission's response:**

*The Commission has adopted a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 223/2009 on European Statistics (COM(2012) 167) aiming at strengthening the professional independence and accountability of the Heads of NSIs and clarifying the coordinating role in national statistical systems.*

*Adoption depends on the co-legislators.*

275. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should take the necessary steps to ensure legal certainty of the nature of the obligation to adhere to the ESCP.

**Commission's response:**

*Adoption of the Regulation of the European Parliament and the Council amending Regulation (EC) No 223/2009 on European Statistics (COM(2012)167) with the objective, amongst others, of clarifying the principle of professional independence and securing its unconditional application.*

*It is proposed that each Member State, represented by its government, should establish a 'Commitment on Confidence in Statistics' whereby specific policy commitments are made to implement the Code of Practice.*

*Adoption depends on the co-legislators.*

*In addition, Article 2 of the Regulation 223 is amended to clarify that the principle of professional independence applies unconditionally.*

276. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should develop a supervisory function to oversee reviews, verifications, and inspections, for example by extending the current remit of the ESGAB.

**Commission's response:**

*This request is accepted partially. The part concerning ESGAB to oversee verifications and inspections is rejected.*

*ESGAB is associated to the Task Force constituted for preparing the peer review methodology. ESGAB appointed a member to the Task Force preparing the next round of peer reviews in its meeting of 21 October 2012.*

277. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should enhance the professional independence of the Chief Statistician of the European Union.

**Commission's response:**

*The new Commission decision on Eurostat ensures that the Director-General of Eurostat has the sole responsibility for deciding on statistical methods, standards and procedures, and on the content and timing of statistical releases, and acts independently when carrying out statistical tasks. An appropriate legal framework*

*and necessary safeguards exist to ensure that appointment and dismissal procedures are transparent, ensuring full compliance with the principle of independence as foreseen in Regulation (EC) No 223/2009 in this respect.*

278. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should bring its internal decision in Eurostat's role in line with the requirements of the ESCP, enable Eurostat to apply its protocol on impartial access to data without the restriction (and phase out the mechanism of sub-delegated operational credits for statistical production which makes Eurostat, in part, financially dependent on other Commission service).

**Commission's response:**

*This request is accepted partially. The part concerning the phasing-out of the mechanism of subdelegated operational credits for statistical production is not accepted. Concerning the phasing-out of subdelegated operational credits for statistical production the Commission considers that it does not run counter to the principles of professional independence and adequacy of resources.*

*The new Decision on Eurostat adopted on 17 September 2012 has brought its status in line with the European statistics Code of Practice as reviewed and updated by the European Statistical System Committee on 28 September 2011.*

279. (§ 276) "The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should launch a new round of peer reviews envisaged by the Commission for 2013 covering compliance with all principles of the ESCP including a strong element of external element to allow independent assessments and comparable results.

**Commission's response:**

*Following the recommendation in the 2008 Commission Report on implementation of the Code of Practice , the November 2012 ESSC meeting set up a Task Force to develop a methodology for a new round of peer reviews.*

*The methodology will be piloted over the summer 2013 in two countries. The experiences will be presented to the DGINS at its September meeting, and its recommendations will be taken into account in fine-tuning the methodology. The ESSC will have a final discussion on the methodology at its November meeting before launching the new round of peer reviews by the end of 2013.*

*The new round of peer reviews seeks to:*

- *enhance the credibility of the European Statistical System*
- *strengthen the System's capacity to produce European Statistics*
- *reassure stakeholders about the quality of European Statistics and the trustworthiness of the System*
- *assess progress made in adherence to the principles of the CoP*
- *assess progress made in the development of the ESS itself.*



*The CoP and its principles set out a framework for credible and trustworthy statistics. The second round of peer reviews seeks to assess progress made in adherence to the CoP and identify areas where further progress should be made. It should also highlight good practices different countries have developed when implementing the CoP.*

280. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(b) in order to fully implement the ESCP, the Commission should consider introducing rolling peer review for the most important statistical domains covering the entire production chain including providers of administrative data.

**Commission's response:**

*Accepted as far as peer reviews for individual statistical domains are concerned provided there is justified concern and MS willing to take part.*

*The peer reviews will start with a preliminary assessment of each national statistical system and will focus on issues identified by the review teams in the preparatory phase as meriting further study. The final report will contain recommendations in case of concerns over the quality of an individual statistical domain. In that case the MS will be asked to accept an evaluation of the statistical domain. (Action: To agree with the Member States on the action plan.)*

281. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: define precise targets and milestones each year in the annual statistical programmes and organise an adequate follow-up.

**Commission's response:**

*Eurostat has set up a Task Force and developed proposals for a new set of indicators.*

*Eurostat will define precise targets and milestones for the Annual Work Programme.*

*The greater synergy between the ESP 2013-2017 and the annual statistical work programme, and between the annual statistical work programmes and management plans is being implemented for the annual plan 2013 and will be further implemented in the years to come. The Commission therefore does not see further need for enhanced reporting in the annual activity reporting for accountability purposes.*

282. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: consider to revise the programme if needed during its implementation and to synchronise it with the Multiannual Financial Framework.

**Commission's response:**

*The option to revise the European Statistical Programme in case of major developments and taking into account the evolution of needs of its main users will be used where appropriate once the implementation of the Programme is under way, particularly on the basis of the Commission intermediate progress report to be submitted by the Commission by 30 June 2015, as referred to in Article 14 (1) of Commission proposal COM(2011) 928 final; 2011/0459 (COD) of 21.12.2011 for a Regulation on the European statistical programme 2013 -2017.*

*The on-going revision of Regulation 223/2009 includes aligning the ESP with the MFF.*

283. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: systematically review the statistical priorities taking into account the relevance of the statistical outputs and the cost and burdens for the European statistical system, its members and respondents and encourage statistical innovation when defining new priorities.

**Commission's response:**

*This request is accepted partially. The part concerning the need for regular assessments of the costs and burdens for ESS / members / respondents for purposes of reprioritisation process is not accepted.*

*The Commission will provide an annual report on statistical priorities, as provided for in Article 5a (2) of the Proposal for a Regulation on the European Statistical Programme 2013-2017 (final compromise text of Commission, Council and EP). The first report will cover priority setting for the year 2013.*

*Eurostat will review and revise its procedure for defining priorities and the AWP, with the aim of improving the balance between the consultation of Member States and the consultation of DGs taking into account financial and human resource constraints.*

284. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: improve its support to European Statistical Advisory Committee's functioning through more and better tailored information on the budgetary and financial implications of statistical programming choices and on the implementation of statistical programmes.

**Commission's response:**

*In order to improve information of the ESAC on the implementation of the statistical programmes, Eurostat will provide an annual report on statistical priorities. (ref. § 276: systematic review of statistical priorities).*

285. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: simplify and improve the

efficiency of the financial management of grants by resorting to standard scales of unit costs for staff and to lump sums for data sets provided through surveys.

**Commission's response:**

*The Regulation of the European Parliament and of the Council on the European Statistical Programme 2013-2017 now specifies that lump sums may be used for statistical actions based on surveys, and provisions for simplifying the grant management have been defined in the Financial Regulation applicable from 2013 onwards. In May 2013, the Commission adopted a decision allowing the use of unit costs by the main beneficiaries of the European Statistical programme, and a flat rate of 30% to cover indirect costs.*

286. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: explore the option of a performance-based system of grant management which relies on agreed indicators and objectives.

**Commission's response:**

*The lump sums approach referred to in the Regulation of the European Parliament and of the Council on the European Statistical Programme 2013-2017 will allow such a shift from an input based to a more performance based management of grants.*

287. (§ 276) The Parliament broadly endorses the three main recommendations made by the Court of Auditors:

(c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular: enhance competition in procurement procedures notably by giving more weight to price criterion in best value for money procedures and avoiding minimum thresholds that weaken price competition.

**Commission's response:**

*The standard tender specifications applicable in 2013 have been adapted. The new method for awarding contracts is to divide the price by the number of technical points. The bid with the lowest ratio is deemed the economically most advantageous. It is no longer possible to overweight the technical mark. The final step of the evaluation process is limited to the offers offering a sufficient quality (50% of the total mark on quality). Only if duly justified through a note to be signed by the authorising officer, the minimum score required on the technical quality may be increased up to maximum 65%. Internal trainings on the new tender specifications have been organised in January 2013 raising awareness of the participants on the importance to enhance competition and providing appropriate guidelines in this context.*

288. (§ 279) The Parliament calls for the ESGAB to be transformed into an independent supervisory body which should be tasked with overseeing reviews, verifications and inspections in the European Statistical System; to that end, invites the Commission to draw up a proposal for a regulation which should replace Decision No 235/2008/EC

of the European Parliament and of the Council of 11 March 2008 establishing the European Statistical Governance Advisory Board currently in force.

**Commission's response:**

*Ref. reply to § 276: develop a supervisory function. The current decision no. 235/2008/EC established ESGAB as an independent body (Art. 1). Within its current legal base ESGAB is involved in overseeing reviews (ref. peer reviews § 276: launch a new round of peer reviews). The Commission does not consider it as appropriate to task ESGAB with the supervision of verifications and inspections, under the remit of other bodies. Other supervisory mechanisms are already in place at different levels (AAR, synthesis report, Internal Audit Service, ECA)*

289. (§ 281) The Parliament asks the Commission to clarify the position of the ESGAB in the European statistical system's governance structure.

**Commission's response:**

*Mandated by the Council and the Parliament, ESGAB provides an external and independent view over European Statistical System (ESS) as regards the implementation of the European Statistics Code of Practice. ESS partners are accountable to ESGAB in terms of compliance with the Code's principles and indicators. ESGAB observes ESS as a system and addresses emerging issues which affect its governance structure.*

## 8th, 9th and 10th European Development Funds (EDF)

290. (§ 5) The Parliament calls on the Commission to complete the comparative analysis of the errors detected by the Court of Auditors in 2010 and 2011 and to report its findings to Parliament.

**Commission's response:**

*Working groups have been set up within DG DEVCO and have proceeded to the analysis of the 181 errors listed by the Court of Auditors in DAS 2010 and 2011, identified the main root causes of error, classified them according to a precise typology and put forward possible solutions.*

291. (§ 8) The Parliament urges the Commission to examine the causes of errors and to undertake remedial actions to eliminate them.

**Commission's response:**

*Working groups have been set up within DG DEVCO and have proceeded to the analysis of the 181 errors listed by the Court of Auditors in DAS 2010 and 2011, identified the main root causes of error, classified them according to a precise typology and put forward possible solutions. The main conclusion of their work is that it is not appropriate to reinforce the already complex financial rules - which should be further simplified - and that the solutions should mainly focus on the correct implementation of the current rules.*

*Their recommendations have been taken up in an action plan, approved by DEVCO management in May 2013, with concrete measures for correcting the weaknesses in the implementation of DG DEVCO's internal control system and mitigating the related risks. Its implementation will be duly followed-up by DG DEVCO's Audit and Control unit.*

292. (§ 10) The Parliament calls on the Commission to use a 'traffic light' system in its annual EDF report in order to show what has improved or deteriorated from one year to the next.

**Commission's response:**

*Regular EDF Reports contain information on financial and operational performance as well as on improvement in quality of projects. Effectiveness of controls on legality and regularity is also taken into consideration. This information can be compared over years. Regular Reports on the European Community's Development and External Assistance Policies and their Implementation also provide relevant data which are comparable over time. Besides, a "traffic lights" type of system will be already put in place in the framework of the External Assistance Monitoring Reports, elaborated by every EU Delegation, for the purpose of the annual assessment of the KPI (see response to § 253).*

293. (§ 13) The Parliament encourages the Commission to strive for smooth financial implementation of the 10th EDF regional envelope and to draw lessons from the present delays for the next programming period.



**Commission's response:**

*The complicated implementation mode of some RIPs proved unsatisfactory and added burden to the preparation and implementation of regional programmes. As a result of the lessons learnt through the MTR of the 10th EDF, Commission and EEAS services have developed a new approach which has been applied to 10th EDF regional programmes in the revised 10th EDF RIPs after the MTR and is also enshrined in the 11th EDF programming orientations. This approach includes:*

- Decentralised management with NAOs for projects with a regional dimension to be implemented at the national level;*
- Centralised management or joint management with international organisations or relevant sectorial bodies;*
- Contribution to blending mechanisms to leverage investment for regional infrastructures;*
- Support to regional organisations to reinforce their capacities and for activities related to their core mandate.*

294. (§ 14) Human resources policy has continued to be a persistent concern due to the high staff turnover and the reorganisation that took place in mid-2011 and EuropeAid staff members were being used for tasks other than aid management, over and above the flexibility limits agreed with the European External Action Service (EEAS). The Parliament expects that that situation will have been improved in 2012 and calls for Parliament to be informed about the situation.

**Commission's response:**

*In order to follow-up the implementation as well as to keep on monitoring the application of the flexibility arrangements in all delegations, a new KPI will be added to the upcoming EAMR. As a result of this, Heads of Delegations will have to commit to the application of the flexibility arrangements in their Delegation, as set out in the joint instruction note to all Heads of Delegations, issued in December 2011 by the SG of the COM and the COO of the EEAS, outlining the flexibility arrangements for the management of staff in Delegations (Ares(2011)1392088).*

295. (§ 15) The Parliament notes with regret that the Court of Auditors assessed ex ante checks by authorising officers at EuropeAid's headquarters and in the delegations as only partially effective; the Parliament calls on the Commission to continue its efforts to improve its current systems and to report to Parliament on the results by the end of November 2013.

**Commission's response:.**

*Following several recommendations addressed by the Court of Auditors in its annual reports, and a recent in-depth analysis by DG DEVCO of the errors listed by the Court in DAS 2010 and 2011, an Action Plan has been set up - and approved by DEVCO management in May 2013 - putting forwards concrete measures for correcting the weaknesses in the implementation of DG DEVCO's internal control system. Among them are the reinforcement of the financial/control skills at both HQ and Delegations (through specific financial trainings, etc.), the further improvement of the quality of external audits, and the enhancement of the accountability of the Delegations in the framework of the EAMR. The effective*

*implementation of the Action Plan will be duly monitored by DG DEVCO's Audit and Control unit.*

296. (§ 16) The Parliament urges the Commission to intensify its technical assistance and training efforts to improve the monitoring and supervision capacities of National Authorising Officers (NAOs).

**Commission's response:**

*The Commission accepts the recommendation and has already made it a priority to strengthen the monitoring and supervision capacities of National Authorizing Officers (NAOs). This has been implemented by providing 1) technical assistance and 2) focused training:*

*1. Technical assistance: starting with mid-2008 the European Commission has invested substantially in changing how it works with Technical Cooperation (TC) instruments. To guide this process, it formulated the Backbone Strategy on Reforming TC and PIUs which includes five quality criteria to measure performance. The Commission launched a project on studying options for strengthening capacity development in the framework of National/Regional Authorising Officers support programmes while ensuring a better alignment with national systems. The Study, on the basis of the survey undertaken, proposes recommendations to make the NAO and its support units' agents function in line with Capacity Development using the five quality criteria of the Backbone Strategy. In the wake of the 10th NAO meeting, this study intends to suggest alleyways to seize on the opportunity offered by the NAO function and to make progress towards more sustainable aid coordination and management practices. Over the next years, the Commission will implement the findings of the study and will focus on articulating a policy dialogue process with the aim of ensuring a national ownership of aid-funded activities. Giving priority to ownership implies defining the services and results the partner country wants to improve. External support should not focus on the means to achieving technical cooperation but on its potential final outputs.*

*2. Focused training: For the past few years, the Commission has contracted specialized training companies to organize training for ACP NAOs with the aim of improving their capacities in the field of financial management of EDF funds. According to existing on-going contracts, training to the NAOs is already assured until 2017. The training given focuses on both the financial and contractual procedures of the EDF. Each training mission consists of 9 full days of training during which the following topics are covered: programming and establishment of financing agreements - procurement procedures and financial commitments of contracts - program estimates - grants and co-financing operations. In 2012, 22 training missions for NAOs took place with the total number of participants standing at around 550 individuals. For 2013, 4 missions accounting for around 120 participants have already taken place and 13 more are scheduled by the end of year. For 2014, approximately 22 missions are foreseen. Regarding the coverage of the training, almost all NAOs have benefitted from training at least once and advanced training is being provided for the second and in some cases for the third time to a number of NAOs.*

297. (§ 17) The Parliament welcomes the introduction of the Financial Management Toolkit to improve contractors' and beneficiaries' knowledge of the Union's financial

management and eligibility rules; the EP urges the Commission to improve further the management of contract awarding procedures by clarifying the selection criteria and better documenting the evaluation process, and to enhance the quality of grant contract supervision, with a view to reducing the high number of errors found in project payments.

**Commission's response:**

*Measures have been taken in the revision of the Practical Guide to clarify the selection criteria even further. Moreover the focus has been shifted to quality rather than quantity. In addition we have extended the examples of selection criteria which should not be used. Means of redress have been added to the notification letters. In order to reduce the number of errors concerning payments in grant contracts, some simplification measures have been introduced, such as single payment deadline (inclusive of approval of reports), simplified cost options, interest on pre-financing and additional options in the financial support to third parties.*

298. (§ 18) The Parliament calls on the Commission to establish a blacklist of external service providers that do not meet the required standards, including a set of binding criteria, and to inform the discharge authority about its conclusions before the beginning of the next discharge procedure.

**Commission's response:**

*The Commission does not use blacklists of external service providers as the possibility of using shortlists of acceptable service providers can only be formally applied when the rules of the Financial Regulation allow for this. However, contractual conditions foresee that the contracting authority (the Commission or the beneficiary third country) can refuse the audit firm proposed by a beneficiary of funds (namely grants and fee-based contracts). This option is used in particular when the proposed audit firm has a track-record of poor quality verifications.*

299. (§ 22) The Parliament calls on the Commission to reconsider its whistleblowing policy, including the implementation of that policy in the delegations; requests that the Commission report to Parliament on its present policies and actions for receiving and protecting both internal and external whistle blowers and any changes thereof.

**Commission's response:**

*The requested action has been taken. Commission issued guidelines on whistleblowing for all its staff members on 6 December 2012. These guidelines constitute the Commission's policy in this area. They explain the rules in plain language, encourage staff to come forward if they discover serious irregularities in the line of duty, and they highlight the protection offered to staff who do so in good faith.*

*The European Parliament was informed of the adoption of these guidelines by letters of 18 January 2013 from Vice-President Šefčovič to the Chairpersons of JURI and CONT.*

*These guidelines also apply to Commission staff in Delegations.*

300. (§ 23) The Parliament is concerned about the Court of Auditors' assessment of the external audit function in respect of the delegations in that there are deficiencies in risk-based audits and delays in the audit clearance process, which could lead to

ineligible expenditure becoming irrecoverable; calls on the Commission and the EEAS to solve that problem without delay.

**Commission's response:**

*The effectiveness of the audit function in European Union Delegations very much depends on the availability of appropriate audit resources in qualitative and quantitative terms and notably on the presence of a good and preferably full-time audit manager. This situation varies significantly from one Delegation to another. As to methodology, and notably for audit planning, Delegations dispose of a well-developed planning methodology (including risk assessment guidelines) and audit task managers are advised to attend specific training modules regularly delivered by DG DEVCO's Audit and Control unit.*

301. (§ 24) The Parliament is worried that the Court of Auditors assessed internal audit as partially effective; recognises that it is the Commission's reorganisation in 2011 that had a major impact on the activity of Internal Audit Capability; expects that the situation will have improved in 2012.

**Commission's response:**

*In its reply to the Court, the Commission pledged to assess the capacity of EuropeAid's Internal Audit unit and considered a potential reinforcement if found to be necessary. Indeed, the IAC's staff was reinforced with a new AD post as from 1st October 2012. Moreover, a new Head of Unit was nominated in March 2013. The post left vacant has been sent for publication. The IAC expects to recruit a certified or experienced auditor in order to improve the audit skills of the unit, in order to be assessed as effective by the Court.*

302. (§ 25) Regrets the lack of compatibility between the Court of Auditors' estimation of the most likely error rate based on the annual approach of the Court of Auditors and current methodology and the Commission's practice to refer to the net residual error rate covering more than one year; welcomes the Commission's initiative to launch a study on EuropeAid's residual error rate and expects it to be finalised within the set timeframe i.e. in the first quarter of 2013; calls on the Commission to present the results of this study to Parliament as soon as they become available.

**Commission's response:**

*The Residual Error Rate study covering the Budget year 2012 followed a recommendation by the European Court of Auditors and was finalised by DG DEVCO in the first quarter of 2013. The European Parliament was duly informed of its results.*

303. (§ 26) The Parliament urges the Commission to fully implement the Court of Auditors' recommendations contained in the Annual Report 2011.

**Commission's response:**

*See reply to § 205.*

304. (§ 31) The Parliament calls on the Commission to identify areas for improvement regarding tax evasion and tax fraud in both Union legislation and administrative cooperation between Member States; asks the Commission to study possibilities to involve the recipient countries in the fight against tax avoidance through an



incentives based programme, and to report back to the discharge authority with its findings before the end of the year 2013.

**Commission's response:**

*The Commission is already addressing this issue in its political dialogue with these countries, in particular through Budget Support and programmes to strengthen Public Finance Management. In addition, a number of useful actions have been financed through the former Budget line for good governance in tax matters granted to the Commission in 2010 and 2011.*

305. (§ 35) The Parliament notes that the customs authorities in many developing countries are not functioning effectively, principally due to absence of efficient risk management systems; calls on the Commission to pay particular attention to this aspect of development and to concentrate its resources on remedying this situation, especially by including sustainable reforms of customs systems in the public financial management criteria for granting budget support.

**Commission's response:**

*The Commission recognizes the importance of a well-functioning tax administration system, including trade tax revenue (customs), for efficient public finance management, as well as more particularly for good domestic revenue mobilization. Customs services are an important part of the public administration which needs to be strong and to perform well. This has been also underlined in the communication on: "Tax and Development, Cooperating with Developing Countries on Promoting Good Governance in Tax Matters" of April 2010. The Commission supports public administration reforms in a number of countries. The new policy on Budget Support fully recognises and supports the importance of nationally-owned sustainable administrative reform. In addition, custom plays a role in the development of Domestic Resource Mobilisation, i.e. realising the country's potential to finance needs by its own forces. Therefore the Commission considers that the institution is already covered in existing reform programmes.*

306. (§ 36) The Parliament emphasises the fact that inefficient customs control is not exclusive to developing countries; deplores that control of customs in Member States is not functioning properly ,thus allowing for fraudulent behaviour; urges the Commission to take all necessary steps in order to remedy the situation by strengthening its cooperation with international networks such as the Economic Crime Agency Network and national customs authorities in order to gather evidence from manufacturers, shipping lines, logistics companies and port authorities all over the world.

**Commission's response:**

*OLAF Director-General, Mr. Giovanni Kessler, participated in the launching of a new international network to fight economic crime hosted by the New Zealand Serious Fraud Office in Auckland. The Economic Crime Agency Network (ECAN) was set up to establish a forum to meet the specific operational interests of law enforcement agencies fighting economic crime. It brings together agencies from all over the world through operational cooperation and intelligence-sharing, contributing to a better understanding of economic crime and promoting public awareness of such issues. Participating agencies include the FBI, the Singapore Corrupt Practices Investigation Bureau and the UK Serious Fraud Office.*



*OLAF already cooperates closely with external stakeholders to protect the EU's financial interests. To give an example, OLAF consulted the World Shipping Council (WSC) in the context of the revision of Regulation 515/1997, which should further strengthen the customs cooperation and which inter alia is aiming at using information held by shipping lines to combat smuggling into the EU. The cooperation between customs authorities in the Member States and with the Commission (OLAF) is regulated in Regulation 515/1997 and is done via a secured IT-network (Anti-Fraud Information System-AFIS) which is provided and maintained by OLAF.*

*Furthermore the Commission (DG TAXUD) issued in January 2013 a Communication on Customs Risk Management and Security of the Supply Chain. (COM (2012) 793 final of 8 January 2013). One of the conclusions of this communication confirms that traders, Member States and citizens in the EU all have an interest in effective risk management. Closer engagement with economic operators is required to attain the desired standards of data for risk analysis, facilitate the efficient movement of legitimate trade and better combat illicit trade. This, together with more systematic exchange of risk information and coordination between customs and other authorities or agencies and closer international cooperation, will reinforce the security and integrity of the supply chain.*

307. (§ 37) The Parliament calls on the Commission to coordinate the different aid instruments across the Union, such as the Union as well as Member States' bilateral programmes and the European Investment Bank's (EIB) interventions.

**Commission's response:**

*The Commission has strengthened its coordination efforts for the new programming period 2014-2020 at country level (in particular, strongly enhanced joint programming is underway), as between institutions (in particular though the new coordination platform involving the EIB and other financial institutions for enhanced blending operations) and globally as between the different instruments managed by the Commission (by ensuring appropriate complementarity in preparation of programming documents for the period 2014-2020).*

308. (§ 39) The Parliament calls on the Commission to more often use the political dialogue under Article 8 of the Cotonou Agreement when there are violations of human rights, and if necessary suspend aid.

**Commission's response:**

*The political dialogues with the third countries are conducted by the EEAS and not by the Commission.*

309. (§ 43) The Parliament stresses that more emphasis should be given to the sustainability of aid; is concerned about the persisting weaknesses in terms of efficiency (with 40,3% of reviewed interventions facing problems), effectiveness (43%) and sustainability (46%) of ongoing projects and programmes in Sub Saharan Africa revealed by on-site assessments by independent experts; notes that similar performance concerns affected implementation in the Caribbean, where the overall percentage of projects performing well or very well had decreased from 74,6 % in 2009, to 72,9 % in 2010 and 61,5 % in 2011 , as well as the Pacific region, where a significant share of the programs faced implementation difficulties.

**Commission's response:**

*The Commission's services are in the process of working on the improvement of the guiding principles and questions for ex-ante evaluation of new projects and programmes and for the monitoring of the implementation of projects and programmes as well as on the strengthening to the internal reporting systems with a view to increasing the internal capacity to react and adjust.*

310. (§ 44) The Parliament is deeply concerned about the findings of the Court of Auditors contained in Special Reports Nos 1/2012 and 13/2012 of the Court of Auditors on the Effectiveness of European Union Development Aid for Food security in Sub-Saharan Africa and on the European Union Development Assistance for Drinking Water Supply and Basic Sanitation in Sub Saharan Countries respectively, which have demonstrated that the prospects for sustainability are good for half of the interventions but there are fewer guarantees of continued results for the other half; welcomes the Court of Auditors' recommendations contained in those reports and urges the Commission to take them on board in order to maximise the benefits from Union development expenditure.

**Commission's response:**

*See reply to § 258.*

311. (§ 46) The Parliament believes that the Commission should be able to demonstrate to the taxpayers what has been achieved with Union development assistance in the field of education and gender parity for school enrolment as it gives prospects for the sustainability of aid efforts; calls on the Commission to formulate clear objectives which then make it possible to do actual performance audits.

**Commission's response:**

*The EU policy on education and development has a continuous clear priority on gender parity, which is underlined in the Communication on "Education and Training in the Context of Poverty Reduction in Developing Countries" (2002) and the Staff Working Document "More and Better Education in Developing Countries" (2010) which discuss in details the multifaceted nature of the issue. In addition to guidance on indicators for the education sector, which includes one measuring gender parity, the EU is in the process of developing a corporate results framework. Whilst it is too early to speak about specific results indicators that will be included in the framework, it is certain that both education as well as cross-cutting issues such as gender mainstreaming will be reflected. Through its support to education as a focal sector in 42 countries (programming period 2007-2013), the EU has contributed to the good global progress that has been made in improving gender parity in primary education where on global aggregate level gender parity is close to being achieved. However, progress has been unequal across countries and within countries, and a lot remains to be done in other levels of education. Consequently, gender parity and gender equality in education continues to be a high priority to the EU.*

312. (§ 47) The Parliament calls on the Commission to communicate to Parliament by the end of November 2013 the outcome of efforts regarding a common framework for measuring and communicating the results of development policy, including for inclusive and sustainable growth, as part of the implementation of the "Agenda for Change".

**Commission's response:**

*The Commission is in the process of preparing a Staff Working Document which is to set out the results achieved so far in its work on a results reporting framework for the external assistance managed by EuropeAid. However, as a result of the May 2012 Council conclusions on the Commission's Communication 'Agenda for Change', the framework is not supposed to be a common framework for both the EU and its Member states. Since the Council has asked the Commission and MS to work on common approaches, the Commission services are working in close association with interested Member states on the results framework, so as to enhance shared and common approaches underlying the framework.*

313. (§ 49) The Parliament stresses that long term social and economic development requires sustainable sources of income other than aid; considers that sound and well-functioning trade relations in line with WTO principles is a key issue in this regard for developing countries and therefore urges the Council, the Commission and the ACP countries to find solutions to the issues concerning the Economic Partnership Agreements and free trade between the Union and the ACP region.

**Commission's response:**

*The Commission continues to be committed to concluding development-friendly and WTO-compatible EPAs with all ACP regions that wish to enter into a trade partnership with the EU. Exchanges are continuing on a regular basis with a view to solving the remaining open issues in these negotiations.*

314. (§ 52) The Parliament calls on the Commission to ensure a rigorous control of recipient countries both before and after the decision to grant budget support, in particular in countries receiving significant financial assistance from Union development funds in which corruption is very much on the increase; calls therefore for more effective Commission control mechanisms in order to ensure that European taxpayers' money is not misappropriated for funding terrorism or corruption.

**Commission's response:**

*The fight against fraud and corruption is a key element that has great prominence in Budget Support, particularly when assessing the PFM eligibility criterion. The Commission pays particular attention to these issues and promotes a stronger use of anti-fraud and corruption provisions. Partner countries need to be actively engaged in the fight against fraud and corruption and be equipped with appropriate and effective mechanisms covering the whole "anti-fraud and corruption cycle" (prevention, detection, investigation and sanctioning) as well as adequate inspections authorities and judicial capacity. The Commission also promotes capacity development in this area through a number of initiatives linked to, as well as independent of, Budget Support. The Risk Management Framework establishes a risk level and when necessary mitigation measures before Budget Support is granted. Risks and mitigation measures are monitored throughout the BS contract. Budget Support can only be granted if there is sufficient level of trust that risks are acceptable.*

315. (§ 54) The Parliament urges the Commission to take into account the existing reporting on the illicit capital outflows before taking a decision on granting budget support.

**Commission's response:**

*The Communication on "The Future Approach to EU Budget Support to Third Countries" emphasizes that Illicit capital outflows from developing countries hamper their ability to achieve developing objectives, alleviate poverty, and increase economic growth. Increasing transparency and accountability of governments and companies on financial transactions play a key role in tackling illicit capital flows. Issues such as corruption, fraud and possible mismanagement of public funds are dealt with through the Budget Support eligibility criteria and the Risk Management Framework. The Commission also supports the fight against illicit capital outflows through a number of initiatives not directly linked to Budget Support.*

316. (§ 55) When assessing the Public Financial Management eligibility criterion in terms of budget support, the Parliament urges the Commission to take into account existing reporting on corruption and fraud levels before taking a decision on granting budget support; insists that an independent national audit body must be a condition for granting budget support.

**Commission's response:**

*The Commission has set up a risk-management framework (RMF) which covers also corruption/fraud. The steady improvement in financial control and public procurement systems pursued in the context of Budget Support programmes effectively reduces the scope for corruption. Partner countries efforts in fighting corruption and fraud and in setting up the appropriate anti-fraud mechanisms are vital.*

*The new policy fully recognizes the importance of proper budgetary control and the role of national audit. The new policy fully addresses this through two of the four eligibility criteria for Budget Support (public finance management and transparency). EU Budget Support does systematically aim at strengthening the national audit function in all countries recipient of Budget Support through capacity building and through support to administrative reform of public finance. EU Budget Support has helped to trigger the establishment of national audit bodies in some countries. Therefore the Commission believes that such an important issue should be dealt with within a nationally-owned reform process aiming at building robust institutions. A precondition imposed by an outside source may be counterproductive in the long run.*

317. (§ 56) The Parliament takes note that programmes related to good governance are financed in order to support developing countries in their fight against fraud, corruption and financial mismanagement; keeping in mind that a corruption-free judicial system is a condition sine qua non to ensure good governance and rule of law, calls on the Commission to put a strong emphasis on the judiciary reform programmes; acknowledges moreover that the Commission completed in 2011 a thematic evaluation on justice and security system reform; calls on the Commission to make publicly available the results of the evaluation.

**Commission's response:**

*Support to the justice sector and justice sector reform is one of the principle avenues for promoting democratic governance, the rule of law, citizen security, gender equality and respect for human rights, and thereby socio-economic*



*development. For this reason, the European Union has been working over the past few decades to implement justice sector interventions, being a major donor in this area. With the recent policy documents, further emphasis is put on working on these areas in development cooperation, which is also reflected e.g. through the on-going programming and in the revised guidance on Budget Support operations. As to JSSR evaluation, it is publicly available on the EuropeAid website.*

318. (§ 57) The Parliament calls on the Commission to present the first results in terms of the effectiveness of the new approach to Union's budget support introduced in October 2011, which contributes to strengthening domestic accountability mechanisms in ACP countries when the new guidelines have been fully applied.

**Commission's response:**

*The new approach to Budget Support has been fully applicable as of January 2013. The Commission will present the results of the implementation of the new policy as part of the regular reporting on its cooperation.*

319. (§ 58) The Parliament repeats its call on the Commission and Member States to create a public register in which budget support agreements, procedures and development indicators are transparently listed.

**Commission's response:**

*Currently, several instruments, not specific to Budget Support, allow for transparency of aid and Commission's operations (p.ex. the beneficiary database of EC cooperation on: [http://ec.europa.eu/europeaid/work/funding/beneficiaries\\_en.htm](http://ec.europa.eu/europeaid/work/funding/beneficiaries_en.htm); the FTS (Financial Transparency System) or the Transparent Aid (TR-AID) tool). As of January 2013, Commission services put in place the new tools and procedures introduced by the new approach to Budget Support. Based on this overhaul of the Budget Support system, Commission services have started in 2013 to prepare a publicly available database with the required information.*

320. (§ 59) The Parliament repeats its call on the Commission to provide regular reports on the accomplishment of the goals set for Union budget support and on specific problems encountered in particular recipient countries; calls on the Commission to ensure that budget support is reduced or cancelled when clear goals are not achieved.

**Commission's response:**

*The Commission submits full information on Budget Support operations to the European Parliament. These reports cover results and performance (including non-payment) of BS operations by country. Following the introduction of the new policy on Budget Support and related guidelines and tools, the European Commission is working on improving the reporting as well. Further analysis on impacts and overall goals are established through joint donor evaluations which are systematically transmitted to the European Parliament.*

321. (§ 60) The Parliament urges the Commission to make public the performance indicators for budget support to the Republic of Haiti, and the respective assessments of the Government of Haiti's performance in order to qualify for budget support, focussing on the following criteria: a) stable macro-economic framework; b) national or sector policies and reforms focused on sustainable growth and poverty reduction;



c) public financial management, including the fight against corruption; d) transparency and oversight of the budget, also to the public.

**Commission's response:**

*The Commission is pleased to inform that the Action Fiche for the 2010 programme HAITI - Programme d'Appui Budgétaire Général au Plan d'Action et de Reconstruction (PARDH) et à la Stratégie Nationale de Croissance et de Réduction de la Pauvreté (SNCRP), including the assessment of eligibility for Budget Support has been published under: [http://ec.europa.eu/europeaid/documents/aap/2010/af\\_aap-spe\\_2010\\_hti\\_p2.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/af_aap-spe_2010_hti_p2.pdf)*

322. (§ 61) The Parliament asks the Commission to apply from 2013 onwards, in a transparent way, the new criteria for budget support as described in the Commission's policy 'The future approach to EU budget support to third countries' to the budget support for the Government of Haiti.

**Commission's response:**

*See reply to § 255: new Budget Support modalities are applied for all new Budget Support programmes signed as of 1st January 2013.*

323. (§ 63) The Parliament calls on the Commission to provide an assessment of the sustainability of the Union funded projects in Haiti based on a five-year perspective and to report to the discharge authorities on an annual basis.

**Commission's response:**

*See reply to § 256: the assessment is ongoing: the final report is expected in the second quarter of 2014.*

324. (§ 64) The Parliament urges the Commission to continue its efforts towards strengthening the Haitian government and administration; requests the Commission to report on the situation and on the actions taken.

**Commission's response:**

*The Commission is already strengthening capacities of Haiti's administration through a multitude of EDF and budget programmes and regularly reporting about it.*

325. (§ 65) The Parliament urges the Commission to ensure better coherence and complementarity between humanitarian aid and development aid both at a policy level and in practice.

**Commission's response:**

*The European Commission has continued its increased efforts to better articulate humanitarian and development interventions. At the policy level, the Communication on the EU Approach to Resilience-Learning from Food Security Crises was adopted in October 2012 and was followed up by the Action Plan for Resilience in Crises-Prone Countries on 19 June 2013. More specifically in the Horn of Africa and the Sahel, the Commission continued to put in practice the articulation of humanitarian and development interventions with the SHARE and AGIR initiatives.*

326. (§ 66) The Parliament urges the Commission to ensure that the postponed, first ever overall impact evaluation of the Union's aid programme for Haiti takes place in 2013.

**Commission's response:**

*See reply to § 256: the assessment is ongoing: the final report is expected in the second quarter of 2014.*

327. (§ 69) The Parliament regrets that it has taken this long for the World Bank Group's (WBG) undertaking to share their internal audit reports with the Commission Services; regrets that so far, there are no sustainable solutions and procedures for the provision of necessary financial information from the WBG to the Union institutions in each and every case; calls on the WBG and the Commission to promptly arrive at a satisfactory outcome of the discussions in that area; calls on the Commission to report to Parliament on the progress of those discussions.

**Commission's response:**

*Discussions have recently taken place between the Commission and the World Bank Group at various levels and decisions have been taken to improve dramatically the relations on financial matters between the WBG and the EU institutions. The European Parliament will be kept duly informed of the further developments on this issue.*

328. (§ 70) The Parliament calls on the Commission to stop its grants and contribution agreements with the WBG if no sustainable solution is found for the provision of the necessary financial information from the WBG to the relevant Union institution.

**Commission's response:**

*See reply to § 69 which is as follows:*

*Discussions have recently taken place between the Commission and the World Bank Group at various levels and decisions have been taken to improve dramatically the relations on financial matters between the WBG and the EU institutions. The European Parliament will be kept duly informed of the further developments on this issue.*

329. (§ 81) The Parliament welcomes the Commission's commitment to propose EDF budgetisation for 2020, when the Cotonou Agreement expires; expects the Commission to honour this commitment and to take appropriate measures to facilitate incorporating the EDF into the Union's budget starting with the post-2020 MFF; is of the opinion that, in light of the current budgetary and economic crisis, the risk of EDF budgetisation leading to a decrease in the overall funding level for cooperation with ACP partners is too high at present; insists therefore that, were budgetisation to be considered for the MFF 2014-2020, it must imply transferring the entire EDF financial envelope as proposed by the Commission (EUR 30,3 billion in 2011 prices) to heading 4 on Global Europe and should under no circumstances be used as a pretext for reducing overall spending ceilings for Union's external action in general, and development assistance in particular.

**Commission's response:**

*The European Development Fund (EDF) has traditionally been financed outside the EU budget, considering the special partnership between the EU and its*

*Member States and the ACP countries. The Commission, however, remains convinced of the need to develop a single, coherent EU development policy, to bring more political accountability and democratic scrutiny to EU cooperation with ACP countries and to enhance efficiency across EU financing instruments.*

*In order to prepare for the possible future incorporation of the EDF into the EU budget, the Commission has proposed to further align the keys for Member States' contributions to the 11th EDF with the GNI-keys used for the EU budget. Furthermore, the Commission proposes to align the provisions of the 11th EDF as far as possible with relevant financing instruments in the budget, including the DCI and the Common Implementing Rules and with the Financial Regulation of the EU budget, while respecting the partnership principles enshrined in the Cotonou Agreement.*

330. (§ 82) The Parliament welcomes the Commission's commitment to align the Parliament's scrutiny rights over the EDF to those it has over the Union's general budget, in particular the Development Cooperation Instrument; urges the Commission to bring forward without delay concrete proposals to this effect and to initiate a dialogue to establish the precise modalities for Parliament's future scrutiny over strategic decision-making regarding the EDF.

**Commission's response:**

*During the preparation of the Commission proposals for the 2014-2020 Multiannual Financial Framework (MFF), the Commission offered to the EP the same mechanism of informal democratic scrutiny within the 11th EDF as it currently exists under the DCI.*

*The Communication 'A budget for Europe 2020' adopted in June 2011 [COM(2011) 500] proposed to improve the democratic scrutiny of the EDF, so that the European Parliament could play a role in the EU's geographic cooperation with one of the most vulnerable and fragile regions of the world, while taking into account the specificities of this instrument.*

*This proposal was further explained in the Commission proposal for the draft inter-institutional agreement [COM(2011)403], also adopted in June 2011, in which it was proposed to establish a dialogue with the European Parliament on development policy issues regardless of their source of financing, by aligning the scrutiny of the European Parliament on the EDF, on a voluntary basis, with the democratic scrutiny that exists under the current DCI.*

*The Commission intends to apply the informal democratic scrutiny for the EDF following the modalities currently applied for the DCI (2007-2013), including transmission to and dialogue with the relevant EP Committee on relevant EDF Committee documents, including draft programming documents.*

## Performance, financial management and control of EU agencies

331. (§ 8) The Parliament points out, the relationship between administrative weight and the output of the agencies and considers that access to services provided by the Commission should also be improved, expanded and facilitated.

**Commission's response:**

*In the Common Approach on EU decentralised agencies of July 2012, the EP, the Council and the Commission recognised that the improvement or extension of services provided by the Commission to agencies was a way to deliver the administrative support that agencies need. In line with point 12 of its Roadmap on the follow up to the Common Approach, the Commission will therefore assess the services it provides to agencies on the basis of their input, and if necessary, improve, clarify, extend or adapt those services.*

332. (§ 9) The Parliament suggests that the financial rules applicable to the Agencies should be simplified, which would allow the agencies' administrative staff costs to be reduced; calls on the Commission to draw up proposals to that effect and to encourage the agencies to use the simplification option as regards recruitment procedures where the standard procedure is designed for a larger scale organisation and presents an excessive burden for the agencies.

**Commission's response:**

*The overall goal of the current revision of Framework Financial Regulation is to provide for simplification of the financial rules applicable to the decentralised agencies.*

*The proposal of FFR revision foresees number of measures addressing this objective. In particular, it will streamline financial rules as regards the treatment of budgetary surpluses, additional tasks entrusted to agencies, internal audit, reporting requirements, and annual work programme, multi-annual work and staff policy plan, accounting and multi-annual instalments. (see also replies to § 13 and § 27)*

333. (§ 13) The Parliament emphasises that the agencies have for some time been calling for greater flexibility in the rules applicable to them under the Financial Regulation; recognises that most of those rules are disproportionate and ill-suited not only to the size and objectives of the majority of agencies, but also to their characteristics; considers that simplification of the financial and statutory rules applicable to the agencies would improve their efficiency, reduce their expenditure and solve many of the problems pointed out by the Court of Auditors.

**Commission's response:**

*The Commission is currently revising the Financial Framework Regulation applicable to decentralised agencies (FFR) aiming at aligning the text to the new Financial Regulation, and solving recurrent problems encountered by agencies and by the Commission, implementing the Joint Statement on the Common Approach between Commission, EP and Council on Decentralised Agencies. The new FFR should be adopted by the Commission in September 2013 and should apply from 2014. In particular, it will streamline financial rules as regards the treatment of budgetary surpluses, additional tasks entrusted to agencies, internal*

*audit, reporting requirements, and annual work programme, multi-annual work and staff policy plan, accounting and multi-annual instalments.*

*In the framework of revision of the Staff Regulations, the Commission has proposed several modifications with a view to simplification. For example, the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants. Another example concerns social dialogue and staff representation (where agencies will have the possibility to pool the representation instances).*

334. (§ 16) The Parliament believes that both the Commission and the Court of Auditors should provide effective assistance to the agencies in th[e] area [of carryovers, public procurement, and recruitment procedures].

**Commission's response:**

*The Commission is taking the recommended action.*

*In line with its Roadmap on the implementation of the Common Approach, the Commission will assess the services it provides to agencies on the basis of their feedback and, if necessary, improve, clarify, extend or adapt them.*

335. (§ 18) The Parliament calls on the Commission to propose a solution to this issue [the problem of agencies whose funding is based on charges] during the next revision of the financial rules applicable to the agencies; points out that the Financial Regulation is not suited either to agencies which generate surpluses, and stresses that it is essential to consider, as part of the revision, ways of resolving this problem, e.g. by creating a limited reserve fund.

**Commission's response:**

*There is little evidence to justify the creation of a reserve fund for partially self-financed agencies. Therefore it is proposed to keep the current practice of taking into account the possible agency surpluses of year n-1, when establishing the grant level to be entered in the draft budget for year n+1.*

*If any unforeseen shortfalls of fee revenue as compared to fee revenue forecasted for year n, a number of measures are available to the agency, its managing board, and the Commission, namely: to cope with such a situation:*

*The way to address the risk of possible shortages on the revenue side is to use all the room for manoeuvre available to the agency, its managing board, and the Commission, namely:*

- setting a proper level of fees and initiating in due time the procedure for amending the fee level should shortages become recurrent;*
- forecasting and monitoring revenue flows on a regular basis and anticipating major risks of shortfalls by requesting top-ups if appropriate and in due time;*
- taking precautionary measures with regard to discretionary expenditure in case of expected shortages;*
- if necessary, in agreement with the Commission, making use of the assigned revenues stemming from the recovery of agency surpluses in year N-1;*



*- in case of extreme need and if possible, a transfer from other budget lines where there might be unused appropriations.*

*- a last resort measure, the Commission may request an amending budget to cover the residual shortage.*

*This way of proceeding is proportionate to the perceived risk and fully preserves the prerogatives of the Budgetary Authority.*

336. (§ 20) [Concerning the lack of flexibility within the budget,] the Parliament calls on the Commission to closely examine the situation and to come forth with proposals addressing this issue.

**Commission's response:**

*The Commission is currently revising the Framework Financial Regulation applicable to decentralised agencies (FFR) in order to implement the Common Approach on decentralised agencies signed by the European Parliament, the Council and the Commission in July 2012.*

*In addition, several provisions of the current FFR will be reviewed in order to take into account the revised general Financial Regulation, and the experience gained in the application of the current FFR.*

*The FFR should enter into force from 2014. As regards flexibility, the same rules as those applicable to institutions by virtue of the general Financial Regulation are foreseen. The Director of an agency will have the possibility of make transfer appropriations:*

*(a) from one title to another up to a maximum of 10 % of the appropriations for the year shown on the line from which the transfer is made;*

*(b) from one chapter to another and from one article to another without limit.*

337. (§ 21) [Concerning the organisation and planning of audits], the Parliament considers that the agencies should be consulted in order to find practical solutions for this issue without hampering the performance of their core tasks; invites the Court of Auditors, the Commission, the agencies and the Network to come up with an approach of this matter suitable for all involved parties.

**Commission's response:**

*The Commission is taking the requested action. The Internal Audit Service presents the audit topics to the agencies management boards for endorsement. The audit work in a single agency takes 5 working days per year. The timing is agreed with the agencies at least 4 weeks in advance and coordinated with the Court of Auditors. The Commission intends to take further actions to improve coordination with the internal audit capabilities where they exist.*

338. (§ 24) The Parliament points out that there is a need for greater flexibility and simplification of the statutory rules applicable to agencies in order to ensure that they function more effectively in this respect; points out furthermore that, [...], since the final decision rests with the Commission, it is vital that a previous agreement be reached between the agencies and the Commission; considers that, in the event of disagreement, the Commission should present a reasoned decision to Parliament's committee responsible.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

*However, the Commission can only reject the request to present to the Parliament's committee responsible a reasoned decision every time a disagreement will arise in the implementation of the revised Article 110 of the Staff Regulation. This would lead to disproportionate use of resources as well as unacceptable delay incompatible with legal certainty.*

339. (§ 27) The Parliament is increasingly concerned that the Commission annuls agreed Staff Policy Plans within the annual budget procedure and, therefore, calls on the Commission to restrict itself in this respect.

**Commission's response:**

*The Commission does not "annul" Staff Policy Plans. It does, however, propose in the annual draft budget the number of posts that it considers that each agency needs, in accordance with Article 27(5) of the Framework Financial Regulation. It is then the role of the budgetary authority to adopt the agency establishment plans, as part of the adoption of the EU budget.*

*In this regard, the Commission refers to its Communication to establish a programming of agency human and financial resources for the years 2014-2020, as adopted in July 2013 (COM(2013) 519). On that basis, the Commission intends to start the procedure foreseen in point 47 of the current Inter-Institutional Agreement, with the aim to arrive at a common understanding with Parliament and Council on the resources needs of each agency for the next MFF period.*

340. (§ 42) The Parliament urges the Commission and the agencies to implement measures stemming from that review [Special Report No 15/2012] concerning potential conflicts of interest.

**Commission's response:**

*The Commission's overall legal framework for conflict of interest is robust and in conformity with the OECD guidelines in this regard. Of course the Commission is regularly updating its own guidelines in this field but no major new legal instrument is necessary. Concerning agencies, the Commission is planning to adopt guidelines on the prevention and management of conflicts of interest specifically addressed to them before the end of 2013, in line with the Common Approach.*

341. (§ 43) The Parliament welcomes the Commission's foreseen action on conflicts of interest and, in particular, its intention to come up with guidelines for a coherent policy on the prevention and management of conflicts of interest for members of the management boards and directors, experts in scientific committees, and members of boards of appeal, a task for which the Commission itself takes responsibility and has set 2013 as the target year; notes with satisfaction that this task is one of the Commission's priority actions and milestones; urges the Commission to respect the proposed deadline to implement this action and to report to the discharge authority

on its outcome before the end of 2013, attaching to its report the relevant legislative proposals.

**Commission's response:**

*The Commission confirms that it expects to respect the deadline announced in its Roadmap for the adoption of guidelines on the prevention and management of conflicts of interest in agencies, i.e. end 2013. The first report on the implementation of the Roadmap to be issued also by the end of 2013 will include further information on progress concerning this priority issue. However, the Commission has never committed to put forward legislative proposals and does not intend to do so at the moment.*

342. (§ 45) The Parliament invites the Commission to bear in mind the need to maintain an adequate balance between risks/benefits as regards the management of conflicts of interest, on one hand, and the objective to obtain the best possible scientific advice, on the other.

**Commission's response:**

*The Commission fully shares the European Parliament's view and is acting upon.*

343. (§ 51) The Parliament calls on the Commission to better use the capacity building and the recommendations of agencies in the framework of the European Semester, notably when elaborating the Annual Growth Survey and macroeconomic indicators; underlines the key role of the agencies in achieving the objectives of the Europe 2020 Strategy.

**Commission's response:**

*The Commission notes that policy development does not fall in the remit of the agencies. However, in its work the Commission is making good use of the deep knowledge of the agencies in their respective fields of expertise, including where relevant for the European Semester.*

344. (§ 57) The Parliament believes that further synergies should be explored between the European Police College and the European Police Office, taking into account the results of the study issued by CEPOL in 2011 (contract CEPOL/CT/2010/002); notes that in March 2014, the College is to leave its current premises in Bramshill (UK); requests that the Commission presents a proposal to the European Parliament and the Council for the relocation of the College to The Hague (NL), where the European Police Office is currently located, in order for both agencies to be able to share facilities and services without jeopardizing their core tasks and autonomy; stresses that a swift decision on the relocation of CEPOL would considerably reduce the level of uncertainty which can adversely affect staff and recruitment procedures.

**Commission's response:**

*The Commission's proposal for a European agency for law enforcement and training (COM(2013) 173 final) proposes to merge CEPOL with Europol. Bringing operational and training functions together will enable the functions to reinforce one another, thus strengthening overall EU police cooperation. A merged agency, located in The Hague, will allow for administrative costs savings (in particular staff posts) that can be redeployed to implement the European Law Enforcement Training Scheme. This is important in the wider context of scarce resources and is*

***fully in line with the July 2012 Common Approach on EU agencies which called for considering mergers of agencies to achieve synergies and efficiencies.***

345. (§ 58) The Parliament invites the Commission to further explore, together with the European Training Foundation, the European Centre for the Development of Vocational Training, the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work, the synergies that exist between those agencies and to report to the discharge authority on their possible deeper integration; invites those agencies and the Commission to evaluate whether closer cooperation could lead to economies of scale and optimisation of their performance.

**Commission's response:**

***In line with its Roadmap on the implementation of the Common Approach, the Commission will also assess the potential for synergies between agencies in the case of CEDEFOP, ETF, EUROFOUND and EU-OSHA.***

346. (§ 64) The Parliament notes with concern that the provisions of the Financial Regulation are not fully adapted to the ESAs' financing scheme as 55 % to 60 % of their budget is financed by contributions from Member States and European Free Trade Association countries; believes that appropriate mechanisms need to be found to guarantee the security and financial stability of the ESAs, which are exposed to specific risks on account of the mixed nature of their funding; believes that that issue should be addressed, at the latest, in the course of the next revision of the Financial Regulation as regards the agencies, and calls on the Commission to evaluate this situation and to report on this issue to the discharge authority.

**Commission's response:**

***The mechanism of the balancing contribution principle foreseen in the Framework Financial Regulation applicable to decentralised agencies (FFR) respects the funding keys of agencies with mixed funding, and over the past its application has ensured fairness and equal treatment for all contributors to the European Supervisory Authorities (ESAs) budgets.***

***In addition, a specific Memorandum of Understanding between the Authorities and the Commission has been established in order to ensure efficient establishment, implementation and monitoring of the budget of the ESAs.***

347. (§ 65) The Parliament expresses concern about the fact that the Commission has altered the establishment plans proposed by the ESAs without clearly indicating this; urges the Commission to be fully transparent on this and other issues.

**Commission's response:**

***The Commission has taken the recommended action.***

***According to Art 27§5 of the Framework Financial Regulation which sets out the financial rules applicable to all EU decentralised agencies, including the 3 Financial Supervisory Authorities, the Commission is entitled to propose in the Draft Budget the amount of the subsidy and the number of staff it considers the body needs.***

***Concerning the Financial Supervisory Authorities recently created, the financial statements attached to the legislative proposals from the Commission, regularly***

*updated to take into account the results of the legislative procedure and the impact of new tasks proposed, have provided the main reference point for the Commission's position.*

*Nevertheless, the Commission performs each year a thorough analysis of the agencies' requests for financial and human resources as a part of the annual procedure for establishing the Draft Budget. Consequently, the proposed allocation reflects the Commission's assessment of the actual needs of each agency and sets a level which ensures continuation of the body's mission and tasks.*

*Finally, it is up to the Budgetary Authority to reassess the Commission's proposal and agree on the agencies' annual EU subsidy and establishment plans as part of the adoption of the annual budget.*

*Full transparency is respected throughout the procedure. In this regard, as from the 2014 Draft Budget the Commission will further clarify the extent to which it has modified the agencies' requests in the Draft Budget, and the corresponding reasons why, as a follow-up to the Common Approach on decentralised agencies agreed by the three Institutions in July 2012.*

348. (§ 68) Given that in most of the agencies, directors are appointed by the management board on the basis of a shortlist adopted by the Commission, the Parliament calls on [...] the Commission to uphold the principles of gender equality and to take account of the strategy launched by the Commission in 2010 to achieve a better gender balance in positions of responsibility.

**Commission's response:**

*For Management selection procedures in the Commission, the Institution is attentive to the gender aspects from the very first stages such as the wording of corresponding vacancy notice, eligibility and selection criteria, as well as subsequently during the selection procedure. Such attention equally applies for those procedures in which an Executive Director is appointed by the Commission – notably in the case of Executive Agencies.*

*However, it should be highlighted that in spite of such efforts some positions attract a comparatively lesser number of one of the two genders. Furthermore, while measures and actions to promote equal opportunities for men and women are essential, gender considerations in the course of a selection procedure might come into play only in a situation of equal qualification, and subject to an objective assessment of all applications, as confirmed by the European Court of Justice.*

349. (§ 70) The Parliament calls on the Commission to adapt the fees [for using its IT systems] to the size and financial capacity of the agencies.

**Commission's response:**

*In relation to the usage of the Commission's central financial IT-system (ABAC), the Commission wishes to clarify that:*

- *Over 40 External Entities are making use of ABAC, including both Committees, Traditional Agencies, Joint Undertakings and Executive Agencies;*
- *The same level of service is rendered to the External Entities as to the Commission's internal departments;*



- *Twice a year a meeting is organised with the External Entities to discuss ABAC-related topics. The Entities are invited to propose themselves the topics they wish to address;*
- *A charge-back mechanism is in place with the aim of recovering the incremental costs for the provisioning of the IT-system and –importantly- the accompanying services rendered. No budgetary means have been made available to the Commission by the Budgetary Authority to cope with the workload stemming from supporting the External Entities.*
- *In 2013, the charging-back criteria were reviewed for the Traditional Agencies and the Agency's Network decided themselves on the distribution of the total amount with the aim of reducing the pressure on the smaller Agencies. The number of actual users is the sole criterion, allowing the Agency to foresee the cost into their budgetary forecast and demands.*
- *ABAC is an integrated IT-system managing financial/accounting operations in compliance to the rules of the Financial Regulation across all DGs, Services and External Entities. As such, the system does not provide highly tailored functionality which would only be relevant for vertical businesses (e.g. Structural Funds, FEAGA, ...). Likewise, the complexity and maintainability of the central system cannot be compromised by adding Agency-specific requests. However, the Commission is investing considerable resources in modernising and facilitating the interoperability between the central systems and business specific systems.*
- *The Commission recalls that it is open to discussing the take-over of accounting tasks from the External Entities where such centralisation would induce economics-of-scale effects, reduce financial or business continuity risk and could free up internal resources to more operational tasks."*

350. (§ 71) The Parliament draws the Commission's attention to the difficulties encountered by the agencies with complex IT systems [...] and invites the Commission to cooperate more closely with the agencies on this issue.

**Commission's response:**

*Besides the Commission's 40 DGs and Service, ABAC is used by over 40 External Entities. The External Entities are not only granted access to the financial/accounting information system but they receive as well supporting services (IT helpdesk, Financial helpdesk, training, ...). Tailoring ABAC to the particular needs of +/-80 Authorising Officers by Delegation would yield a system too complex to maintain at an acceptable cost level and could induce system and business risks. Therefore, Entities joining ABAC are expected to respect the same policies, procedures and rules as those applicable to the Commission internally. The cost generated to support of the External Entities – both in terms of IT as in terms of business support- should be balanced by appropriations and posts made available to the Commission's services.*

*Similarly, concerning the HR information systems, the use by the agencies of the human resource management system of the Commission (SYSPER 2) would be justifiable from an economic point of view only to the extent that agencies adopt the same rules and processes as the Commission. Otherwise, the technical adaptations and costs of maintenance would be disproportionate compared to the potential gains.*

*In line with its Roadmap on the implementation of the Common Approach, the Commission will assess the services it provides to agencies on the basis of their feedback and, if necessary, improve, clarify or extend them.*

*Any decision to extend Sysper2 to agencies would have to meet the following three conditions: same rules, good data quality, pay for the cost incurred (budget appropriation and posts).*

351. (§ 72) The Parliament proposes that the agencies be given the possibility of using the human resources software, or any other kind of software, of the Commission, instead of having to purchase their own expensive software.

**Commission's response:**

*Concerning the HR information systems, the use by the agencies of the human resource management system of the Commission (SYSPER 2) would be justifiable from an economic point of view only to the extent that agencies adopt the same rules and processes as the Commission. Otherwise, the technical adaptations and costs of maintenance would be disproportionate compared to the potential gains.*

*In line with its Roadmap on the implementation of the Common Approach, the Commission will assess the services it provides to agencies on the basis of their feedback and, if necessary, improve, clarify or extend them.*

*From the timing point of view, the Commission is currently embarked in an already ambitious programme of making available Sysper2 to other Institutions. This implies that making available Sysper2 to new "clients" e.g. agencies can be envisaged only in the medium term. Any decision to extend Sysper2 to agencies would have to meet the following three conditions: same rules, good data quality, pay for the cost incurred (budget appropriation and posts).*

**Agency for the Cooperation of Energy Regulators (ACER)**

352. (§ 9) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## Body of European Regulators for Electronic Communications

353. (§ 8) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## European Centre for the Development of Vocational Training (CEDEFOP)

354. (§ 16) The Parliament invites the Commission, together with the European Training Foundation, the European Centre for the Development of Vocational Training, European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work to further explore the synergies that exist between those agencies and to report to the discharge authority on the possible deeper integration of those four agencies; invites those agencies and the Commission to evaluate whether closer cooperation could lead to economies of scale and optimisation of their performance.

**Commission's response:**

*In line with its Roadmap on the implementation of the Common Approach, the Commission will also assess the potential for synergies between agencies in the case of CEDEFOP, ETF, EUROFOUND and EU-OSHA.*



## European Police

355. (§ 1) The Parliament requests that the Commission come up with a proposal for the relocation of the College to The Hague (NL), where the European Police Office is located, in order to share facilities and services and benefit from synergies, without jeopardising both agencies' core tasks and autonomy, and present those proposals to Parliament and the Council.

**Commission's response:**

*The Commission's proposal for a European agency for law enforcement and training (COM(2013) 173 final) proposes to merge CEPOL with Europol. Bringing operational and training functions together will enable the functions to reinforce one another, thus strengthening overall EU police cooperation. A merged agency, located in The Hague, will allow for administrative costs savings (in particular staff posts) that can be redeployed to implement the European Law Enforcement Training Scheme. This is important in the wider context of scarce resources and is fully in line with the July 2012 Common Approach on EU agencies which called for considering mergers of agencies to achieve synergies and efficiencies.*

356. (§ 14) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

357. (§ 8) The Parliament asks the Commission to come forward, as soon as possible, with a proposal to solve the contradiction between the principle of annuality and the need to finance multiannual certification projects.

**Commission's response:**

*The Commission is taking the requested action. Art.59, § 4 of the basic Regulation 216/2008 establishing EASA clearly distinguishes the activities to be financed from subsidies and the ones covered by fees and charges. The latter are purely market driven and by their very nature the projects are multi-annual (linked to the applicant's ability to demonstrate compliance which in turn impacts the progress of the Agency's work). As a consequence, according to the Fees and Charges Regulation in force, if at the end of a financial year the overall revenue from fees - which constitute an assigned revenue - , exceeds the overall cost of certification tasks of the year, the excess shall be used to finance certification tasks performed in the following years in accordance with the Financial regulation of the Agency.*

*An amending Fees and Charges Regulation is now under discussion. The purpose of this review is to improve cost-reflectivity by setting up fees and charges in such a way to allow EASA to organise its work for the duration of a project, while avoiding as much as possible surpluses or shortfalls in the medium/long term.*

*In the framework of the revision of the Fees and Charges Regulation and the evaluation of the implementation of EASA basic regulation foreseen under article 62, the Commission will re-assess how to reduce the carryover of appropriation stemming from certification revenues by regular revision of the fees and charges level.*

## European Banking Authority

358. (§ 4) The Parliament calls on the Commission [to] evaluate this situation [the provisions of the Financial Regulation are not fully adapted to the Authority's financing scheme as 60 % of its budget is financed by contributions from Member States and EFTA countries] and to report on this issue to the discharge authority.

**Commission's response:**

*The balancing contribution principle foreseen in the Framework Financial regulation applicable to decentralised agencies (FFR) applies to all agencies. No derogation in this regard is foreseen for ESA's.*

*The Commission considers that this mechanism respects the funding keys of agencies with mixed funding. A surplus in year N-1 would reduce, proportionally to the funding key, the contributions in N+1 from the EU budget and from Member States.*

*In order to ensure efficient establishment, implementation and monitoring of the budget of the ESAs a specific Memorandum of Understanding between the Authorities and the Commission was established. It envisages inter alia withholding the last tranche of payment of the contributions from the EU budget and the MS in case that a surplus is foreseen. This practical arrangement aims at avoiding unnecessary recoveries and reimbursements.*

359. (§ 6) The Parliament urges the Commission to be fully transparent on [the fact that it has altered the establishment plan as proposed by the Authority without clearly indicating this] and other issues.

**Commission's response:**

*See reply to § 65.*

360. (§ 28) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

361. (§ 13) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

362. (§ 13) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*



363. (§ 9) The Parliament emphasises that the Commission must exercise its supervisory role through its participation in the Management Board and Bureau of the Agency, within the limits set by Regulation (EC) No 401/2009 and with due respect to the Agency's legal autonomy; emphasises that Parliament is to be kept regularly informed.

**Commission's response:**

*The Commission has already two representatives on the Management Board of the Agency.*

*The present recommendation from the Parliament is partially accommodated, by the following articles of the inter-institutional Common Approach on decentralised agencies, which are in the process of being implemented:*

*Article 57: "A more rigorous differentiation between the responsibilities of the Commission and those of the agencies would be appropriate in discharge decisions and resolutions. Council's recommendations on the discharge of each agency should be fully taken into consideration."*

*Article 59: "An alert/warning system will be activated by the Commission if it has serious reasons for concern that an agency's Management Board is about to take decisions which may not comply with the mandate of the agency, may violate EU law or be in manifest contradiction with EU policy objectives. In these cases, the Commission will raise formally the question in the Management Board and request it to refrain from adopting the relevant decision. Should the Management Board set aside the request, the Commission will formally inform the European Parliament and the Council, with a view to allow the three institutions to react quickly. The Commission may request the Management Board to refrain from implementing the contentious decision while the representatives of the three institutions are still discussing the issue."*

364. (§ 9) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## European Insurance and Occupational Pensions Authority

365. (§ 4) The Parliament calls on the Commission evaluate this situation [the fact that the provisions of the Financial Regulation are not fully adapted to the Authority's financing scheme, as 55 % of the budget is financed by contributions from Member States and EFTA countries] and to report on this to the discharge authority.

**Commission's response:**

*The balancing contribution principle foreseen in the Framework Financial regulation applicable to decentralised agencies (FFR) applies to all agencies. No derogation in this regard is foreseen for ESA's.*

*The Commission considers that this mechanism respects the funding keys of agencies with mixed funding. A surplus in year N-1 would reduce, proportionally to the funding key, the contributions in N+1 from the EU budget and from Member States.*

*In order to ensure efficient establishment, implementation and monitoring of the budget of the ESAs a specific Memorandum of Understanding between the Authorities and the Commission was established. It envisages inter alia withholding the last tranche of payment of the contributions from the EU budget and the MS in case that a surplus is foreseen. This practical arrangement aims at avoiding unnecessary recoveries and reimbursements.*

366. (§ 5) The Parliament calls on the Commission to explore all the options for a new long term sustainable financing of the Authority that safeguards its independence in the context of the next review of the agencies' work and financing arrangements by the Commission, which will be presented by 2 January 2014 at the latest.

**Commission's response:**

*The Commission is taking the recommended action.*

*The Commission is currently working on the evaluation of the European Supervising Authorities which is to be ready in January 2014*

367. (§ 6) The Parliament calls on the Commission to evaluate the possibility of coming up with a proposal ensuring that the budgets of the three European Supervisory Authorities (ESAs) are fully funded by the Union budget.

**Commission's response:**

*An evaluation will be made beginning of 2014.*

368. (§ 8) The Parliament urges the Commission to be fully transparent on this [the fact that the Commission altered the establishment plan as proposed by the Authority without clearly indicating this] and other issues.

**Commission's response:**

*See reply to § 65.*

369. (§ 32) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

370. (§ 12) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*



371. (§ 11) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

372. (§ 8) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

373. (§ 9) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## European Securities and Markets Authority

374. (§ 3) The Parliament calls on the Commission to explore all the options for a new long term sustainable financing of the Authority that safeguards its independence in the context of the next review of the agencies' work and financing arrangements by the Commission, which will be presented by 2 January 2014 at the latest.

**Commission's response:**

*The Commission is taking the recommended action.*

*The Commission is currently working on the evaluation of the European Supervising Authorities which is to be ready in January 2014*

375. (§ 4) The Parliament calls on the Commission to evaluate the possibility of coming up with a proposal ensuring that the budgets of the three European Supervisory Authorities (ESAs) are fully funded by the Union budget.

**Commission's response:**

*The evaluation will be made at the beginning of 2014.*

376. (§ 7) The Parliament urges the Commission to be fully transparent on this [the fact that the Commission altered the establishment plan as proposed by the Authority without clearly indicating this] and other issues.

**Commission's response:**

*See reply to § 65.*

377. (§ 33) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## European Training Foundation

378. (§ 21) The Parliament invites the Commission to further explore, together with the European Training Foundation, the European Centre for the Development of Vocational Training, the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work, the synergies that exist between those agencies and to report to the discharge authority on their possible deeper integration; invites those agencies and the Commission to evaluate whether closer cooperation could lead to economies of scale and optimisation of their performance.

**Commission's response:**

*In line with its Roadmap on the implementation of the Common Approach, the Commission will also assess the potential for synergies between agencies in the case of CEDEFOP, ETF, EUROFOUND and EU-OSHA.*

379. (§ 8) The Parliament invites the Commission, together with the European Training Foundation, the European Centre for the Development of Vocational Training, European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work to further explore the synergies that exist between those agencies and to report to the discharge authority before any decisions concerning possible changes to the respective responsibilities and/or working methods of these agencies are considered on the possible deeper integration of those four agencies; invites those agencies and the Commission to evaluate whether closer cooperation could lead to economies of scale and optimisation of their performance.

**Commission's response:**

*In line with its Roadmap on the implementation of the Common Approach, the Commission will also assess the potential for synergies between agencies in the case of CEDEFOP, ETF, EUROFOUND and EU-OSHA.*



## European Foundation for the Improvement of Living and Working Conditions

380. (§ 5) The Parliament invites the Commission, together with the European Training Foundation, the European Centre for the Development of Vocational Training, the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work, to further explore the synergies that exist between those agencies and to report, before any decisions concerning possible changes to the respective responsibilities and/or working methods of these agencies are considered, to the discharge authority on the possible deeper integration of those four agencies; invites those agencies and the Commission to evaluate whether closer cooperation could lead to economies of scale and optimisation of their performance.

**Commission's response:**

*In line with its Roadmap on the implementation of the Common Approach, the Commission will also assess the potential for synergies between agencies in the case of CEDEFOP, ETF, EUROFOUND and EU-OSHA.*

381. (§ 7) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

382. (§ 14) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

## European Police Office (EUROPOL)

383. (§ 1) The Parliament reiterates its call on the Commission to prepare a comprehensive impact assessment regarding a potential merger of those two Agencies setting out the cost and benefits, considering the complementarities between the Office and the European Police College and the potential synergies, and to evaluate whether the merger could lead to economies of scale and optimisation of the performance in cross-border cooperation in the fight against crime.

**Commission's response:**

*The Commission's proposal for a European agency for law enforcement and training (COM(2013) 173 final), which proposes to merge CEPOL with Europol, was accompanied by an impact assessment on such a merger (SWD(2013) 98 final Part 2). It concluded that the option of merging the agencies would achieve savings enabling posts to be redeployed to implement the European Law Enforcement Training Scheme (COM(2013) 172 final) and thereby reinforce EU police training.*

384. (§ 10) The Parliament encourages the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies.

**Commission's response:**

*In the framework of revision of the Staff Regulations, the Commission has proposed the revised wording of Article 110 Staff Regulations (SR). The revised procedure under Article 110 SR appropriately ensures the simplification and flexibility as regards the implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants.*

385. (§ 16) The Parliament considers that cost-benefit analysis of a merger with ENIAC should be undertaken and that the European Parliament should be notified about the results of this assessment. This report should highlight the possible advantages and disadvantages of such a merger.

**Commission's response:**

*In the first quarter of 2012 the Commission commissioned a study by independent experts to examine the opportunities to improve the effectiveness and impact of European industry driven public-private collaboration research and innovation initiatives in the field of electronic components and systems: ENIAC (nano-electronics) and Artemis (embedded systems) Joint Technology Initiatives (JTI) and the possible inclusion of the EPoSS European Technology Platform (ETP) on smart systems.*

*The study was to deliver insights on the impact of a potential new JTI resulting from the merging of the two existing JTIs (ENIAC and Artemis) and their respective strategic research agendas, as well as the possible inclusion of the smart systems strand of the EPoSS ETP. The final results of the study were published on 28 November 2012 and are available at [http://ec.europa.eu/information\\_society/newsroom/cf/itemdetail.cfm?item\\_id=9974](http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=9974).*

*The study results have been used in the preparation of the Commission's proposal for a Council Regulation regarding the setting up of a new JTI on 'Electronic Components and Systems', its governance and rules of operation.*

*The main conclusion of the study is to proceed along a track of partial integration of operations involving the setting up a one stop-shop efficient and effective operational unit for managing programmes for the European electronic components and systems industry. In addition to this, it involves creating room for crosscutting programmatic activities to better accommodate an already visible trend. However, large parts of the present stakeholder groupings and research agendas should continue and/or even be stimulated in the direction of more strategic focusing.*

## ENIAC Joint Undertaking

386. (§ 14) The Parliament considers that cost benefit analysis of a merger with Artemis should be undertaken and that Parliament should be notified about the results of this assessment. This report should highlight the possible advantages and disadvantages of such a merger.

### Commission's response:

*In the first quarter of 2012 the Commission commissioned a study by independent experts to examine the opportunities to improve the effectiveness and impact of European industry driven public-private collaboration research and innovation initiatives in the field of electronic components and systems: ENIAC (nano-electronics) and Artemis (embedded systems) Joint Technology Initiatives (JTI) and the possible inclusion of the EPoSS European Technology Platform (ETP) on smart systems.*

*The study was to deliver insights on the impact of a potential new JTI resulting from the merging of the two existing JTIs (ENIAC and Artemis) and their respective strategic research agendas, as well as the possible inclusion of the smart systems strand of the EPoSS ETP. The final results of the study were published on 28 November 2012 and are available at [http://ec.europa.eu/information\\_society/newsroom/cf/itemdetail.cfm?item\\_id=9974](http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=9974).*

*The study results have been used in the preparation of the Commission's proposal for a Council Regulation regarding the setting up of a new JTI on 'Electronic Components and Systems', its governance and rules of operation.*

*The main conclusion of the study is to proceed along a track of partial integration of operations involving the setting up a one stop-shop efficient and effective operational unit for managing programmes for the European electronic components and systems industry. In addition to this, it involves creating room for crosscutting programmatic activities to better accommodate an already visible trend. However, large parts of the present stakeholder groupings and research agendas should continue and/or even be stimulated in the direction of more strategic focusing.*



## Fuel Cells and Hydrogen Joint Undertaking

387. (§ 11) The Parliament urges the Joint Undertaking to implement, together with the Commission, all the necessary measures to minimise the cash balances held on account to the levels that are required within the limits provided in the financing agreements with the Commission.

### Commission's response:

*The Commission is taking the recommended action.*

*As foreseen in the Commission Roadmap on the follow-up to the Common Approach on decentralised agencies agreed by the three Institutions in July 2012, the Commission looks at ways to expand the level and scope of support activities it currently provides to the agencies, such as in the areas of staff management, accounting and finance, so as to reduce their administrative costs and to enable the agencies to produce the outputs that are expected from them with the available resources.*

*In parallel, agencies are expected to improve their internal planning and revenue forecasting in order to reduce their high carry over and cancellation rates, on which the Commission intends to provide further guidance, notably in view of developing a guide on the basis of best practices, which in the Roadmap on the follow-up of the Common Approach is foreseen for 2014. When preparing the 2014 Draft Budget, the Commission has already looked into agency carry over and cancellation rates, so as to align agency resources with real needs.*