

040807/EU XXIV.GP
Eingelangt am 18/11/10

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 18.11.2010
SEC(2010)1438 final

COMMISSION STAFF WORKING PAPER

**accompanying the REPORT FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT and THE COUNCIL on the follow-up to 2008 discharge – Replies to
requests from the European Parliament**

{COM(2010) 650}

TABLE OF CONTENTS

INTRODUCTION.....	1
European Parliament resolutions on 2008 discharge	2
Overriding concerns and targets to be achieved	3
Reliability of the accounts and legality of the underlying transactions.....	4
Information and framework of the DAS.....	7
Revision of the Treaties: reform of the DAS.....	8
Budgetary management	9
Recoveries.....	10
Suspension of payments.....	12
Annual summaries	15
National management declarations.....	18
The Commission's internal control system.....	20
Interinstitutional debate on the current discharge procedure system.....	25
Political responsibility and administrative responsibility at the Commission.....	26
European Anti-Fraud Office (OLAF).....	32
Revenue	36
The common agricultural policy.....	38
Cohesion	41
Employment and social affairs	51
Internal policies.....	55
External actions.....	69
Administrative expenditure.....	88
Special Report No 10/2008 on EC Development Assistance to Health Services in Sub-Saharan Africa	89
Special report No 12/2008 on the Instrument for Structural Policies for Pre-accession (ISPA), 2000-2006.....	92
Special report No 1/2009 on banking measures in the Mediterranean area in the context of the MEDA programme and the previous protocols.....	94

Special report No 2/2009 on the European Union's Public health Programme (2003-2007): an effective way to improve health?	96
Special report No 3/2009 on the effectiveness of Structural Measures spending on waste water treatment for the 1994-1999 and 2000-2006 programme periods	97
Special report No 4/2009 on the Commission's management of Non-State Actors' involvement in EC Development Cooperation.....	99
Special report No 5/2009 on the Commission's Treasury Management.....	103
Special report No 6/2009 on European Union food aid for deprived persons: an assessment of the objectives, the means and the methods employed.....	105
Special report No 7/2009 on the management of the Galileo programme's development and validation phase	106
Special report No 8/2009 on "Networks of excellence" and "Integrated projects" in Community Research policy: did they achieve their objectives?.....	108
Special report No 9/2009 on the efficiency and effectiveness of the personnel selection activities carried out by the European Personnel Selection Office.....	114
Special report No 10/2009 on information provision and promotion measures for agricultural products	117
Special report No 11/2009 on the sustainability and the Commission's management of the LIFE-Nature projects	118
Special report No 12/2009 on the effectiveness of the Commission's projects in the area of Justice and Home Affairs for the western Balkans	120
Special report No 13/2009 on delegating implementing tasks to executive agencies: a successful option?.....	123
Special report No 14/2009 entitled "Have the management instruments applied to the market in milk and milk products achieved their main objectives?".....	126
Special report No 16/2009 on the European Commission's management of pre-accession assistance to Turkey	128
European Development Funds.....	130
Requests to the Commission concerning the agencies	137

INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to 2008 Discharge {COM(2010) 650}. It presents in detail the answers to the 238 specific requests made by the European Parliament in its Resolutions forming an integral part of its Decisions on the 2008 Discharges.¹

¹ For each specific request a reference is given to the relevant Parliament document. The references for requests 1-208 are all for the 2008 General Budget Discharge.

**COMMISSION STAFF WORKING PAPER accompanying the REPORT
FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT and
THE COUNCIL on the follow-up to 2008 discharge – Replies to requests
from the European Parliament**

Overriding concerns and targets to be achieved

1. (*European Parliament, §§ 1-5, 192*) - The European Parliament expects a strong statement from Commissioners Janusz Lewandowski and Algirdas Šemeta promising action in the areas of: Member State statements of assurance, proposals for tolerable risk of error, simplification and transparency, and trust funds covering external actions, and further believes that this must cover further action in the area of corrections and recoveries, and internal control systems;

Calls on the Commission to prepare and submit to Parliament a new Agenda for 2010 onwards, providing for an acceleration in the reduction of error rates so as to ensure that a further 20 % of the budget can be given a 'green' classification from the Court of Auditors by 2014,

Calls on the Commission President to inform Parliament about how the Commission will operate in a more coordinated way, so as to address remaining weaknesses in the financial systems and significantly reduce error rates as indicated above.

Commission's response:

The Commission agrees to do its utmost for accelerating the reduction of error rates so as to contribute as much as possible to increasing the European Court of Auditors "green classification" by a further 20% of the budget by 2014. It should however be noted in this respect that any development of the respective percentages of the various colours (red, yellow, green) will depend on a number of factors, notably the effect of ongoing action plans, the effect of the 2007-2013 legislation, the structure of the Court's annual report as well as the progress on the discussions on the concept of tolerable risk of error.

In May 2010 Commissioner Šemeta presented his agenda on discharge and audit to the Budgetary Control Committee of the European Parliament. The agenda sets out the priority measures for the mandate of the Commission (until 2014), and includes notably actions to simplify legislation, the clear definition of the risk of error implied by current legislative provisions and the costs of control in a tolerable risk approach (in line with the proposals adopted on 26 May 2010 for levels of tolerable risk of error for the policies 'Rural development' and 'Research, energy and transport' (COM(2010)261), European Trust Funds, the management assurance from the Member States, national declarations, cooperation with supreme audit institutions and national Parliaments; and recoveries and financial corrections.

The Commission's central services are already actively overseeing all services' control activities, through the two compulsory annual exercises where each service identifies its main risks (within the framework of the establishment of the Management Plan) and where it justifies the reasons underlying the financial assurance it provides (in the Annual Activity Report). The central services' oversight has been progressively strengthened over the past few years, with the performance of a peer review process for selected AARs and the issuing of more focussed instructions for the AARs.

Reliability of the accounts and legality of the underlying transactions

2. (*European Parliament, § 7*) - Consideration should be given to establishing a Community pension fund in order to externalise the financial commitments vis-à-vis staff.

Commission's response:

The Commission has previously analysed this issue. The European Communities Pension Scheme is defined in the Staff Regulations. When in 2003, the Commission presented a proposal amending the Staff Regulations, due consideration (backed-up by a complex actuarial study) was given to setting-up a pension fund. However the analysis did not conclude in favour of such a change. Initial set-up costs as well as risks of losses by the fund due to the investment climate and policy would be particular concerns.

The Commission considers that the hypotheses and conditions of this analysis have not changed and therefore that the conclusions remain valid.

3. (*European Parliament, § 8*) - The Commission should address the Court's observations regarding weaknesses identified in certain bodies and Directorates-General of the Commission in the accounting system for invoices/cost statements and pre-financing which put at risk the quality of financial information.

Commission's response:

The Commission has continued with its accounting quality project which has improved the underlying accounting data used in preparing the 2009 accounts.

4. (*European Parliament, §§ 12 & 13*) - The European Parliament regrets that the DAS still remains qualified for Structural measures. It acknowledges that in its Communication on the impact of the action plan to strengthen the Commission's supervisory role under shared management of structural actions, the Commission indicates that the steps outlined in it have been completed; it notes that the preliminary results show an error rate in expenditure of around 5 % for the 2007-2013 period; it awaits, however, the wider benefits to cohesion policy, where there are still very large problems despite the progress made by the Commission towards a more efficient use of EU funds and the overall control environment.

Commission's response:

The Commission is taking the requested action. It considers that in the framework of the Action Plan it has made and continues to make major steps in improving the management and control in structural actions. The impact report on the Action plan to strengthen its supervisory role in the shared management of structural actions (COM(2010)52) adopted in mid February 2010 demonstrates that these steps have indeed brought important results. This report identifies 3 first positive impacts of the action plan: first, audit results on the implementation 2007-2013 programmes show a clear decrease of the estimated error rate. Although it is an encouraging indicator about the effectiveness of the control framework, this result

must be interpreted in a prudent way since the population audited covers payments made at an early stage of the programming period until 31 May 2009 from 15 Member States which had declared expenditure by that time. Second, the Commission audit activity reveals an expected residual risk of error of programmes at closure of 1994-1999 period substantially reduced. Finally, the increased level of financial corrections for 2008-2009 shows the Commission's resolute response to the detection of systems deficiencies in Member States and provides a deterrent effect on Member States from any future mismanagement of EU funds.

However the full effect of the Action plan on the error rate in Cohesion policy may only be seen later on in the 2007-2013 period when the impact of the new regulatory framework and all simplification measures adopted, including simplified costs, may be seen. The problems identified by the Court are exclusively related to the 2000-2006 period and the Commission has imposed important corrections in all cases where this was required.

5. (European Parliament, §§ 12, 14 & 15) - As regards Research, Energy and Transport and External aid, development and enlargement, the Commission Action Plan towards an Integrated Internal Control Framework should already bring benefits and the Commission should be able to provide a series of indicators and descriptors to measure the impact of this Action Plan. The European Parliament notes, however, the Court's observation that it is not yet possible to determine whether the Action Plan has had a measurable impact on the supervisory and control systems and ultimately on the regularity of transactions (point 2.28 of the 2008 Annual Report), and urges the Commission to take appropriate action to ensure that, for the 2009 discharge, indicators are in place to measure the impact of that Action Plan.

Commission's response:

The Commission fully supports the observations of the Parliament. As reported in the Communication on the impact of the Action Plan COM (2009) 43, the implementation of the Action Plan was completed by the end of 2008. The Communication contained a full range of indicators and key supporting information to demonstrate the impact of the initiative. However, it pointed out that it was not possible to dissociate the impact of the action plan from that of other initiatives to improve control (including the follow-up of reservations in Annual Activity Reports and the impact of new period legislation).

Significant actions from the Action Plan such as Tolerable Risk and simplification are being carried forward under separate initiatives. The overall indicator of the impact of these initiatives and any further action from the Commission will be the annual declaration of assurance (DAS) from the Court of Auditors.

6. (European Parliament, § 16) - The Commission should put forward proposals for shortening the periods involved in the discharge process, so that the vote in plenary can be held in the year following the financial year under review.

Commission's response:

The time limits for the discharge procedure are set out in the Financial Regulation. In practical terms, a reduction of the time needed would require that

the Court of Auditors bring forward the publication of its annual report, and that the European Parliament (Committee on Budgetary Control) also shorten its proceedings.

Therefore, the Commission considers that this request should be first discussed between the institutions concerned.

Information and framework of the DAS

The European Parliament has made no specific request to the Commission.

Commission's response:

No reply necessary.

Revision of the Treaties: reform of the DAS

The European Parliament has made no specific request to the Commission.

Commission's response:

No reply necessary.

Budgetary management

7. (*European Parliament, §§ 26-27*) - The European Parliament welcomes the fact that automatic de-commitment should prevent problems in the current funding period but remains concerned that the highest proportion of outstanding budgetary commitments ("RAL") is related to the cohesion area associated with the lack of any de-commitment procedure for the 2000-2006 period;

Asks the Member States to transmit the remaining compliance assessment documents of the Management and Control Systems as soon as possible and in sufficient quality in order to avoid further delays regarding the interim payments and a further increase of outstanding budgetary commitments.

Commission's response:

The Commission is taking the requested action. The regulations limit reimbursements before closure to 95% of the EU contribution and give the Member States 15 months after the end of eligibility to submit the final payments claims. Therefore, the RAL on the 2000-2006 period is limited by the regulations. It is expected that closure payments will start in 2010 and continue into 2011.

8. (*European Parliament, § 28*) - The European Parliament calls on the Commission to provide Parliament with an overview of budgetary support granted, by country and by fund, for the years 2005 to 2009.

Commission's response:

The requested action has been taken. The Commission has reported these figures in the Annual Activity Reports of the Structural Funds Directorates-General.

Recoveries

9. (*European Parliament, § 29*) - The EP remains concerned about the problems which subsist regarding irregularly disbursed Community funds and the poor quality of the information supplied on the correction mechanism applied at Member State level; it draws attention to the urgent need to aim for a 100 % recovery rate in respect of funds that have been falsely issued.

Commission's response:

The Commission is taking the recommended action. For Structural Funds, it has clearly improved the level of its financial correction and has reported quarterly to the Parliament on financial corrections imposed by the Commission since 2008. The Commission follows up all cases of detected errors and endeavours to recover all irregular amounts.

The Commission is taking steps to improve the quality of information provided by Member States on recoveries. It has analysed the information provided in previous years and made appropriate recommendations where needed. It considers that the data for 2009 submitted by the Member States to the Commission in the 1st half of 2010 are of much better quality than in previous years. These data are published in note 6 to the Commission's final annual accounts. In the framework of its 2008 Action Plan the Commission has carried out audits of Member States' systems for withdrawals and recoveries in 19 Member States. The remaining Member States will be audited in 2010. The Commission will continue its efforts to improve even further the quality and completeness of information available on recoveries from Member States.

10. (*European Parliament, § 31*) - Calls on the Commission to enhance the efficiency and effectiveness of multiannual recovery systems, including at Member State level, and to consolidate data on recoveries and financial corrections in order to provide reliable figures which can be compared between the various policy areas and fund management procedures; calls on the Commission to report to Parliament in the notes accompanying the annual accounts, so that an overview can be obtained.

Commission's response:

The Commission has included more detailed information on the recovery of undue payments in the notes to the 2009 accounts. In the Cohesion area, the data for 2009 as submitted to the Commission in the 1st half of 2010 is of a much better quality. In the framework of its 2008 Action Plan the Commission has audited national systems for withdrawals and recoveries in 19 Member States. The remaining will be audited in 2010. For 2007-2013, there is a standard IT procedure for submission of recovery statements, which should improve the quality of information. Member States are also required to distinguish corrections deriving from their own controls and those from audits by EU bodies.

11. (*European Parliament, § 32*) - Requests the Commission to present complete and reliable figures for financial corrections and, in particular, recoveries, specifying the Member State concerned, the exact budget line and the year to which the individual

recoveries relate (as already specified in the Discharge Report for 2006), given that any other presentation makes serious control impossible;

Commission's response:

The Commission is taking the requested action. It is taking steps to improve the quality of information provided by Member States on recoveries. It provided such information in the Annual Report on the Implementation of the Structural Funds (SEC(2009)1495 of 30/10/2009 covering the financial year 2008), including a breakdown per Member State and per Fund. Because of the multi-annual nature of structural programmes and the fact that the control procedures may last several years, it is impossible to identify the exact year to which individual recoveries relate. The Commission however provides figures for the year in question and cumulative for the whole period.

As regards agriculture, the corrections charged by the Commission to the Member States can be found in the respective conformity decisions which are published in the Official Journal. Information on Member States' recovery of undue payments from the financial beneficiaries is published in the Annual Activity Report.

12. (European Parliament, § 33) - Recalls its demand that the Commission produce an annual fund-by-fund grading per Member State, specifying the error rate established – both with and without the impact of corrective mechanisms – and that it forward this to Parliament in an active, transparent and easily accessible manner.

Commission's response:

The Commission already provides detailed information and a classification of the individual member States systems in the Annual Activity Reports of DG Regional Policy, DG Employment, Social Affairs and Equal Opportunities and Agriculture. For Structural Funds, for the period 2007-2013, the regulations require the Audit Authorities to provide the Commission with annual control opinions and error rates, as a result of their audits, which will be based on random statistical samples. Neither the Commission nor the Court compile an error rate by fund and by Member state as this is not required by the applicable legal framework. As the audits performed by Member States audit bodies are partially representative and partially risk based, and by the Commission risk-based, error rates cannot be produced or considered representative of the programmes. See also reply above under point 11 to Parliament's request in paragraph 32 of the discharge resolution, which outlines the steps taken to improve the quality of information in the Cohesion area and confirms that in agriculture information on Member States' recovery of undue payments from the final beneficiaries is published in the Annual Activity Report of the Director-General.

Suspension of payments

13. (*European Parliament, § 35*) - The European Parliament points out the importance of the final decisions and corrective measures taken with the aim of removing EU funding from expenditure which has not been carried out in conformity with EU legislation, and restates its call for the precise budget heading and the year to which individual recoveries relate to be specified.

Commission's response:

Within the Action Plan to strengthen its supervisory role in the shared management of structural actions, the Commission has revised its internal rules and operational procedures and speeded up suspension of payments and financial correction procedures where serious irregularities and system deficiencies had been detected in the programmes' implementation. As shown by the Impact report adopted on 17 February 2010, 10 suspension decisions have been adopted by the Commission in 2008 and 7 in 2009. Moreover the Commission does not hesitate to use, where needed, the new possibility offered by the regulatory framework for 2007-2013 which allows the Commission to immediately interrupt individual payments before starting a suspension procedure, when systems deficiencies are detected.

14. (*European Parliament, § 37*) - Draws attention to the example of Greece, where significant financial corrections brought about by Commission decision appear to have resulted in better performance in some areas; invites the Commission to identify these areas and recalls that, as regards the Integrated Administration and Control System (IACS), no evidence has been provided that the action plan set up and implemented by the Greek authorities was effective (2008 Annual Report, point 2.5).

Commission's response:

The requested action has been taken.

In 2006, the Greek authorities committed themselves to the implementation of an action plan consisting of specific corrective measures and milestones, including regular reporting on progress made, to put in place a fully operational Integrated Administration and Control System (IACS) by 31 December 2008.

As of claim year 2006, the Greek authorities introduced a new procedure for the submission of claims for the single payment aid scheme in order to ensure security of data and to protect it from unauthorized modifications.

In order to improve their timing, quality and reporting of results, the paying agency (OPEKEPE) (regional) staff has gradually taken over the responsibility for the classical on-the-spot checks from the Nomi. In addition, Greece increased the level of on-the-spot checks to 8% in claim year 2007 and 10% in claim year 2008.

In 2008, the main remaining outstanding issue of the IACS action plan was the creation of a new LPIS-GIS to be operational by 31 December 2008. Consequently, DG AGRI has continued to monitor closely the use by the Greek authorities of the

new operational LPIS-GIS. To this end, the Directorate-General for Agriculture and Rural Development (DG AGRI) has carried out three audit missions to Greece in 2009 as well as two audit missions in 2010.

A new Land Parcel Identification System Geographical Information System (LPIS-GIPS) has been used for the first time in the 2009 claim year. Greece has encountered certain problems in this first year of application, in particular the missing digitisation by farmers of the areas claimed.

Following adoption of Regulation No 691/2010, giving Greek farmers until 31 January 2010 (15 February 2010 for the Aegean islands) to digitise the parcels that were already alphanumerically included in the claim lodged by 15 May 2009, overall 98% of the claims and 99.5% of parcels claimed have been digitised within this deadline and can in principle be paid.

The first payments for 2009 claim year were foreseen for mid March 2010 for farmers for which the checks did not reveal anomalies requiring further follow-up.

The implementation of the IACS in Greece will continue to be closely monitored by DG AGRI and residual problems will continue to be addressed in the context of the conformity clearance procedure.

For the European Social Fund (ESF), there are low error rates observed for the 2000-2006 programming period. Audits conducted up to end June 2010 for the 2000-2006 and 2007-2013 periods reveal the absence of serious or systemic issues. Therefore emphasis is on monitoring the effective functioning of the system.

15. (European Parliament, §§ 38-39) - Believes that, in the case of recurrent reserves for expenditure programmes in a particular Member State, suspension of payments, as a means of pressure, will contribute to greater involvement of the Member States in the correct use of EU funds received;

Calls on the Commission to simplify the rules and apply the existing legislation on suspension of payments wherever necessary, and to inform Parliament, the Council and the Court of Auditors in good time concerning suspensions of payments and their results.

Commission's response:

The Commission is taking the requested action. Within the Action Plan to strengthen its supervisory role in the shared management of structural actions, the Commission has revised its internal rules and operational procedures and speeded up suspension of payments and financial correction procedures where serious irregularities and system deficiencies had been detected in the programmes' implementation. As shown by the Impact report adopted on 17 February 2010, 10 suspension decisions have been adopted by the Commission in 2008 and 7 in 2009. Moreover the Commission will not hesitate to use, where needed, the new possibility offered by the regulatory framework for 2007-2013 which allows the Commission to immediately interrupt individual payments before starting a suspension procedure, when systems deficiencies are detected. Information on suspension of payments will be reported in the Annual Activity Reports. For

agriculture, a specific mechanism for suspending payments in such cases was introduced in 2007 (Article 17a of Council Regulation (EC) No. 1290/2005).

Annual summaries

16. (*European Parliament, §§ 40-42*) - The European Parliament stresses the need to strengthen the role of annual summaries in the upcoming review of the Financial Regulation as well as to improve the quality, homogeneity and comparability of the data provided by Member States so as to ensure their added value in the field of the control of EU funds.

Commission's response:

Overall, the quality of the 2009 annual summaries improved. 23 Member States complied with the minimum requirements regarding the information to be provided, whereas 4 Member States did not comply and were asked to submit revised summaries. 15 Member States provided an overall analysis of the information provided, and 9 (compared to 7 for the 2008 summaries) furnished a statement of assurance following the Commission's recommendation.

For Agriculture, the ten Member States with more than one Paying Agency were required to draw up annual summaries, all these Member States complied with this obligation and submitted an annual summary to the Commission (though in one case it will be subject to an addendum due to outstanding documents from the certification bodies). For the remaining Member States with only one Paying Agency, the Statement of Assurance serves the same purpose as the annual summary. In conclusion, the evaluation of the annual summaries and statements of assurance suggests that the Member States have complied with their legal obligations and largely followed the Commission guidelines. Compared to last year, the quality of the analysis has further improved.

The Commission proposal for the triennial revision of the Financial Regulation was adopted in May 2010. The Commission has reinforced the legal basis in the Financial Regulation for the annual summaries by proposing to obtain annual management declarations of assurance from accredited management bodies in the Member States, accompanied by an independent audit opinion. The audit opinion is expected to help in improving the quality of the data submitted.

The Commission will carry out an evaluation of annual summaries after 3 years of existence by the end of 2010. It will also issue guidelines on value-added features of the voluntary national declarations.

17. (*European Parliament, §§ 43-45*) - Welcomes the information provided to Parliament by the Commission on the annual summaries received in 2009 and calls on the Commission to make all annual summaries of all Member States public in order to enhance transparency and public accountability; invites the Commission, on the basis of the annual summaries received, to analyse the strengths and weaknesses of each Member State's national system for the administration and control of EU funds;

Considers that it is of the utmost importance for the Commission to report on the quality of those annual summaries and to add value to the process by identifying

common problems, possible solutions or best practices, using this information in its supervisory role;

Considers that a comparative analysis should be forwarded to Parliament, the Council and the Court by late 2010 and should be made public soon thereafter.

Commission's response:

The Commission is taking the requested action. It considers that annual summaries can be a means for improving accountability in shared management if its guidelines are followed by Member States.

The Commission has provided information on the annual summaries in its 2009 Report on the implementation of the Action Plan (COM(2009)42) and in the Annual Activity Reports of the Directorates General. The Commission has also asked for the Member States' approval to transmit the annual summaries to the European Parliament.

The Commission revised its guidance on annual summaries and presented it to Member States in October and December 2009, taking into account recommendations of the study commissioned by the European Parliament, such as emphasizing the value-added elements and reducing redundant information.

Finally, while significant progress has been made, the Commission considers that the current added value of annual summaries is limited and that a stronger legal base is necessary to make further progress. The Commission is commissioning a study to evaluate the added value of annual summaries after three years and in this exercise it will indicate the extent of their usefulness over this period. The triennial revision of the Financial Regulation in 2010 – on which the Parliament will be involved by Co-decision procedure - could provide an opportunity for this.

18. (European Parliament, § 46) - Calls on the Commission to ensure that the general Guidance Note concerning the annual summaries requires a uniform methodology and analytical scope from all Member States; notes the intention of the Commission to revise its Guidance Note in such a way as to simplify the reporting requirements and provide more guidance on good practice; requires the Commission to take this opportunity to include in the Guidance Note a framework for national management declarations for those Member States that decide to introduce them and to develop its incentive-based approach.

Commission's response:

The Commission is taking the requested action. It is making every effort to improve the added value of annual summaries under the current legal framework. A revised note was discussed with the Member States in the Coordination Committee of the Funds (COCOF) meetings of October and December 2009. The revised guidance note takes on board some of the recommendations formulated in the study of 5 June 2009 on the Annual Summaries, which was presented to the Parliament (Cocobu) on 3 November 2009.

The Commission has simplified the exercise by taking out information received from other reports and in addition, has build up the part on the overall analysis and explained the incentives to the Member States for using this option, as well as, the statement of assurance.

The Commission agrees with the European Parliament that national declarations increase awareness and responsibility concerning the financial management of EU funds at the central government level and demonstrate an acceptance of accountability for these funds. But this can hardly be part of a guidance document without stronger legal basis. The revision of the Financial Regulation provides an opportunity to strengthen the legal framework for the annual summaries by including the requirement, among others, for a declaration of assurance from the Member States.

For Agriculture the guideline regarding the establishment of the annual summaries is revised (for clarification purposes) on an annual basis in the light of the experiences of the previous exercise. Moreover, the guideline is further explained on the occasion of an annual conference with the directors of the paying agencies and the coordinating bodies.

National management declarations

19. (*European Parliament, §§ 47-51*) - The European Parliament recalls its demand for the introduction of national management declarations (paragraph 32 of its resolution of 23 April 2009 accompanying its decision on discharge for 2007);

invites the Commission to use the new wording of Article 317 to introduce mandatory national management declarations as soon as possible;

calls on the Commission to propose, within the framework of the review of the Financial Regulation, the obligation for Member States to issue national management declarations signed at an appropriate political level and certified by their national supreme audit body, as a means of administrative relief as well as improved administration of funds under shared management.

Commission's response:

The Commission proposal for the triennial revision of the Financial Regulation (FR) was adopted in May 2010. The Commission intends with the revision of the FR to optimise Member States' contribution to assurance by introducing a requirement for annual management declarations of assurance, accompanied by an independent audit opinion thereon. The declaration should be signed by the body accredited by the Member State to manage the funds and be complemented by information on error rates per fund (summary of available audits and controls). This proposal should reinforce the responsibility of the bodies actually managing Union funds under shared management.

National declarations, signed at political level, are not part of the Commission's proposal. The Commission will however continue to encourage Member States to work on voluntary political assurance statements, covering all EU funds they receive, documenting the controls and assessing the effectiveness of their management and control systems. It will also issue guidelines on value-added features of the voluntary national declarations.

20. (*European Parliament, § 53*) - Proposes that national audit bodies, in their capacity as independent external auditors, and with due regard for international audit standards, issue national audit certificates for the management of EU funds, calls on the Commission to examine the possibility of modifying and adapting the discharge timetable in order to allow for timely audits of the national management declarations by the (national) external auditors.

Commission's response:

The Commission is envisaging to propose that the annual management declaration of assurance from the managing body in the Member State forming part of the annual summary should be accompanied by an independent audit opinion. (See letter Šemeta-Lewandowski to the Committee on Budgetary Control of 2.3.2010) In order for the Commission to take them into account for its own annual activity reports reporting, these summaries must arrive before March of the year N+1. There is therefore no necessity to review the discharge timetable.

21. (*European Parliament, § 54*) - Is deeply concerned about the proven manipulation of financial statistics and tax evasion in Greece; notes the generalised public-sector corruption throughout the administration, including in public procurement, as recognised by the Prime Minister of Greece; draws attention to the significant effect in terms of costs that this has on Greece's budget; calls on the Commission to investigate as a matter of priority the circumstances under which the Commission was provided with and effectively accepted wrong macroeconomic data for such a long period of time.

Commission's response:

The requested action has been taken. Investigations have been carried out by the Commission and its results reported in the Commission Report on Greek Government Deficit and Debt Statistics of 8 January 2010 (COM (2010) 1 final).

Greece has started addressing the issues raised in the Commission Report of 8 January 2010, with the adoption of a new law on the Hellenic Statistical System including the creation of a new statistical authority (ELSTAT) in order to guarantee the independence and integrity of statistics.

The Commission's internal control system

22. (*European Parliament, §§ 55-57*) - Voices its concern at the Court's repeated criticism of the inadequate quality of controls in Member States and considers it detrimental to the image of the EU if individual Member States are able to apply different control standards;

Notwithstanding the progressive improvement in the DAS since 2003 (56 % of expenditure being given positive audit opinions by the Court in 2008 compared to 6 % in 2003), remains concerned by the Court's assessment that it is not yet possible to determine whether the Action Plan has had a measurable impact on the supervisory and control systems, and that the Commission is not able to demonstrate that the steps taken by it to improve supervisory and control systems have been effective in mitigating the risk of error in some areas of the budget (points 2.28 and 2.33 of the 2008 Annual Report);

Calls on the Commission to continue to present regular assessments of the integrated internal control system, and calls for even better and more explicit coverage – in the annual activity reports and the synthesis report – of the functioning of Commission departments' and Member States' shared-management systems, as is already done by the Commission's DG for Regional Policy in its annual activity report.

Commission's response:

The Commission is continuously improving the standing instructions for the setting up of its services' Annual Activity Reports, namely those regarding the building blocks of their assurance statement.

The latest Annual Activity Reports show a noticeable improvement across the Commission, both in terms of the quality of the evidence presented in support of the assurance and the readability of the reports.

Most of the Commission services already provide in their annual activity reports clear information about the effectiveness of their and implementing partners' internal control systems, and about identified weaknesses and remedial measures underway.

Besides Directorates-General for Regional Policy, for Employment, Social Affairs and Equal Opportunities, and Agriculture and rural development provided detailed information and a classification of the individual Member States' systems in their 2009 Annual Activity Reports.

The Commission fully implemented a peer review system that allows its services to better address weaknesses identified and to do it in time and at the adequate level.

The Synthesis of the Commission's management achievements addresses key management issues identified in the Annual Activity Reports and define the lines of action. It also reports on the progress achieved on the new and ongoing actions identified in former Synthesis Reports to address major crosscutting management issues and it gives an overview on the reservations entered during the last 5 years.

The Commission considers that the system implemented has attained its maturity and that, globally, it provides the Commission and the other Institutions with a clear picture on the effectiveness of its internal control systems.

23. (*European Parliament, §§ 58-60*) - Draws attention, in this context, to the importance of Action 10 of the above-mentioned Action Plan, which proposes making an "analysis of the costs of controls", in view of the "need to reach an appropriate balance between the costs and benefits of controls";

Calls on the Commission to carry out in 2010 a more complete and exhaustive evaluation of the resources given over to control systems in the areas of research, energy, transport, rural development, external aid and administrative expenditure, as requested by Parliament in its previous resolutions accompanying the discharge decisions;

Believes that this will be a crucial tool for assessing what future improvements can be achieved and at what cost, as recommended by the Court in its 2008 Annual Report (point 2.35(a)), and for achieving progress on the question of tolerable risk of error.

Commission's response:

On 26 May 2010, the Commission adopted its proposals for levels of tolerable risk of error (TRE) for the policies 'Research, energy and transport' and 'Rural development' (COM(2010) 261). The proposals are based on an examination of the relationship between the cost of controls and error rates and include an evaluation of resources related to control systems.

The Commission will evaluate the control resources for "Administrative expenditure" before the end of 2010 and for "External aid, development and enlargement" in the beginning of 2011 when presenting concrete TRE proposals for these policy areas.

24. (*European Parliament, §§ 61-66*) - The European Parliament takes note of the above-mentioned Commission communication of 16 December 2008 on a common understanding of the concept of tolerable risk of error as a sound methodological basis for an economic analysis of acceptable levels of risk; recalls its doubts concerning the figures provided by the Member States on control costs and calls on the Commission to update and complete the figures used in the communication; invites the Commission to address all weaknesses and shortcomings identified by the Court of Auditors, and underlines the following:

– the definition of a possible tolerable risk of error is only one of several elements to be explored with a view to improving financial management in the European Union; other elements are (1) better use of existing control systems, (2) an increase in what are generally very low control costs, (3) simplification and (4) concentration;

– the quality of the information available from the Member States is currently not sufficient as a basis for the establishment and approval of a tolerable risk of error;

– the Council's position on the question is not known;

Calls on the Commission to provide a detailed analysis of the shortcomings and weaknesses identified by the Court of Auditors, especially regarding the quality of the data available from the Member States;

Recalls Action 4 of the above-mentioned Action Plan, which, in line with the recommendations of Parliament, proposes the initiation of "interinstitutional dialogue on risks to be tolerated in the underlying transactions"; notes, however, that implementation of this action has scarcely begun;

Considers, therefore, that the Commission, in line with the principles of proportionality and cost efficiency (value for money) of the control systems, should evaluate the relationship between, on the one hand, the resources available for each particular policy, and, on the other, the part of those resources dedicated to the control systems broken down by area of expenditure;

Asks the Commission to identify areas of high political sensitivity (with high "reputational risk") where a quality approach to rates of error (rather than an economic one) should be adopted;

Considers that the volume of Union funds at risk because of errors should also be taken into consideration when a tolerable error rate is determined.

Commission's response:

The Commission recalls that the data published in the Commission Communication of 16 December 2008 were provided by the Member States and that a sensitivity analysis was carried out to cater for a possible underestimation of control costs by the Member States. New data for Rural Development were presented in the Communication "More or less control. Striking the right balance between the administrative costs of control and the risk of error" of 26 May 2010 (COM(2010) 261). This Communication, which also included TRE proposals for Research, energy and transport, should form the basis to re-launch the inter-institutional discussion and agree on concrete TREs for those policy areas.

The Commission also believes that this Communication addresses the weaknesses and shortcomings previously identified by the Court of Auditors. However, while the Commission fully acknowledges the existence and importance of additional qualitative factors such as the deterrent effect of controls or the reputational risk of an institution, it considers that it is up to the Legislative Authority to take account of the political imperatives and inherent risk when deciding on the level of error to tolerate on the basis of the Commission's future proposals.

For 'Cohesion Policy', a new analysis will be presented towards the end of 2011, once 2010 DAS results are available. It is important that this analysis is based on 2010 data during which the new legal framework (2007-2013 legislation) with its stronger control provisions will govern most expenditure and newly implemented simplifications will have kicked in.

The Commission agrees there are other elements to be explored with a view to improving financial management (such as simplification) and believes that these kind of initiatives are not mutually exclusive but can take place in parallel and simultaneously (simplifications will take time to have an impact on the Discharge, which relates to the year N-2). Nevertheless the Commission points out that there are limits to which level the control costs can be increased to reduce errors further under constant legislation.

In line with the objective of its future TRE proposals, the Commission will analyse the resources available and the part of those resources dedicated to the control systems when defining a cost-effective level of control for all the remaining policy areas (see the response to paragraphs 58-60 under point 23 above).

25. (European Parliament, § 68) - Regrets that the Commission puts more effort into convincing Parliament about the need to introduce a 'tolerable risk of error' than into persuading Member States of the need for mandatory national management declarations.

Commission's response:

The Commission proposal for the triennial revision of the Financial Regulation was adopted in May 2010 and includes a requirement for annual management declarations of assurance from accredited management bodies in the Member States, accompanied by an independent audit opinion thereon (see also the response in point 19 above to paragraphs 47-51 of the Parliament's resolution).

The Commission will carry out an evaluation of annual summaries after 3 years of existence by autumn 2010. It will also issue an analysis of on value-added features of the voluntary national declarations.

26. (European Parliament, § 69 (and § 180)) - Emphasises that control systems are a reflection of the complexity of regulations and rules on the various, sometimes overlapping levels; urges the Commission, therefore, to speed up the simplification exercise whilst fully involving Parliament, and asks Member States and regions to make corresponding efforts to that end.

Commission's response:

The Commission supports simplification where possible and where this is consistent with the achievement of policy objectives (which often require precise rules). It has committed itself to proposing simplifications in the post 2013 period legislation. To inform the debate on the new period provisions, it will adopt a communication by the end of 2010 outlining how legislation might be simplified for the forthcoming period.

For the 2007-2013 programming period, the Commission has already implemented simplifications in the common agricultural policy, including rural development, and will continue to do so in the future. However, any such further simplification will not be enough to reduce the error rate in rural development below the Court's 2% materiality threshold without the risk of jeopardising policy objectives.

Against this background, introducing the concept of tolerable risk of error is needed to reach a clear view on the balance between the risk of error and the costs of control: such an approach would foster cost-effective controls. This does not imply accepting inadequate management and control systems, but setting a different standard for determining the best possible control results within given resources.

Interinstitutional debate on the current discharge procedure system

27. (*European Parliament, §§ 70-71*) - Calls on the Commission to organise an interinstitutional discussion involving in the initial phase, at the highest level, representatives of the Council, of the Commission, of the Court of Auditors and of Parliament, and in the second phase representatives from the Member States, of national parliaments and supreme audit institutions, with a view to embarking on a comprehensive debate on the current discharge procedure system;

Proposes to give the Commission, during the forthcoming budgetary procedure, the financial resources needed to organise such debate.

Commission's response:

The Commission agrees to the need for a broad discussion among stakeholders and hopes for the European Parliament support in this. This conference should be an opportunity to agree on a new partnership and define the role and tasks of each party with a view to achieving an unqualified statement of assurance (DAS).

Political responsibility and administrative responsibility at the Commission

28. (*European Parliament, § 73*) - Expresses its concern about the fact that the Court continues to find weaknesses in the operation of supervisory and control systems and in the relevant reservations on the assurance given in the declarations by the Commission's Directors-General, namely as regards their impact on the assurance concerning the legality and regularity of underlying transactions, and reminds the Member States and the Commission of their respective responsibilities in this field;

Commission's response:

The Commission considers the reservations in the Annual Activity Reports (AARs) in line with the materiality criteria established and the AAR methodology in force. It recalls the major methodological difference between the Court of Auditors' annual audits and the Commission's multi-annual control system, where errors found by the Court may be detected and corrected in subsequent years, before the final payment.

Nevertheless, the Commission takes this issue very seriously and has therefore taken decisive action to further improve the quality of AARs and in particular the reasoning and evidence presented underlying the assurance provided. For the 2009 AARs, the instructions were significantly overhauled, a dedicated helpdesk was set up and training courses were provided. Complementary actions will take place for the 2010 AARs, and the Commission expects to see the results of this major effort in the Court's 2010 Annual Report.

29. (*European Parliament, § 74*) - Insists that the public must have access to information on all members of expert groups and working groups working with the Commission as well as disclosure concerning beneficiaries of EU funding.

Commission's response:

The Commission published information on the lists of members of expert groups in the Commission's Register of Expert Groups. This publication must be done taking into account the composition of each expert group and requirements of both Regulation 45/2001 and Article 4 of Regulation 1049/2001.

On special advisers, the Commission adopted on 19 December 2007 new rules which foresee a specific information of the Budgetary Authority as part of the budgetary procedure, and the publication of the list of the special advisers and their curricula vitae on the "Europa" Website of the Commission (see C(2007)6655 of 19 December 2007):

<http://ec.europa.eu/transparency/regexpert/>

Concerning the disclosure of beneficiaries of EU funds, the Commission and the Member States' administrations already provide that information to the public.

30. (*European Parliament, §§ 75-76*) - Insists that the Commission must be responsible for ensuring the completeness, searchability and comparability of the data provided

concerning the beneficiaries of EU funding, including details of recipients and their projects;

Welcomes the fact that the information on EU funding beneficiaries is to be published more widely and on an easily accessible and user-friendly website, and calls for standardisation of the structure and presentation of national, regional and international sites accessible from a central portal.

Commission's response:

The Commission considers that it has issued the relevant instructions for standardisation of the information to be presented by the various management authorities involved in managing EU funds, and cannot go further in the present context (art 30 FR) as the publication of beneficiaries under shared management is clearly of the responsibility of Member States. A further coordinated initiative is not envisaged at this point.

On the other hand, the Commission is focusing on improving its "Financial Transparency System" website that provides information on beneficiaries of EU funds under centralised management, in order to include the publication of recipients of public procurement contracts financed by administrative budget.

31. (European Parliament, §§ 77-78) - Emphasises once again the need to revise the present Code of Conduct of the Members of the Commission in order to remedy shortcomings such as: (a) the absence of any definition of the term "conflict of interest", (b) the failure to prescribe a course of action if a conflict of interest arises, (c) a lack of clarity with regard to the acceptance of gifts and hospitality, and (d) the absence of any body designated to look into complaints as well as to relieve the President from the (possible) duty of self-assessment;

Expects the Commission to begin the process of consulting Parliament on revision of the present Code of Conduct of the Members of the Commission in accordance with the common understanding reached on 27 January 2010 between President José Manuel Barroso and Parliament's Working Party on the revision of the Framework Agreement between the Parliament and the Commission, and to adopt the revised version of its Code of Conduct of the Members of the Commission by August 2010 at the latest, whilst observing that this revision should have been done prior to the appointment of the new Commission.

Commission's response:

The President of the Commission has already announced a revision of the Code of Conduct for Commissioners in his Political Guidelines.

This revision will aim at improving the current Code, clarifying obligations without introducing unnecessary red-tape.

As foreseen in the negotiation on the revision of the Framework Agreement between the Parliament and the Commission, the Commission will seek Parliament's opinion when it comes forward with a revision of the Code of Conduct for Commissioners relating to conflict of interest or ethical behaviour.

The Commission has been confronted to many others priority in the first month of its mandate and considers that a revision of this code is an important issue which must be taken seriously.

32. (*European Parliament, § 79-80*) - Recalls the importance of complete transparency and publicity with regard to staff working in the cabinets of Members of the Commission who have not been recruited in accordance with the Staff Regulations;

Also recalls that the binding Code of Conduct of the Members of the Commission should incorporate the necessary ethical rules and the principal guidelines to be observed by Commissioners in the conduct of their office, in particular when appointing colleagues, especially to their cabinets.

Commission's response:

The staff of the Cabinets of Members of the Commission is recruited according to the set rules. The President of the Commission sets the rules concerning the composition of the cabinets of the Members of the Commission. As foreseen by article 17.6 of the Treaty (TUE), 'the President of the Commission shall (a) lay down guidelines within which the Commission is to work...' See also SEC(2010) 104 of 3 February 2010.

33. (*European Parliament, § 81*) - Calls on the Commission to ensure that all staff are well trained and properly briefed about their obligations and rights under Articles 22a and 22b of the Staff Regulations.

Commission's response:

The Commission has adopted a Communication on ethics (SEC(2008)301), containing, amongst others, an action plan to train, brief and inform staff and management on the various rights and obligations in this respect, including art 22 a and b.

34. (*European Parliament, §§ 82-83*) - Notes the small decrease (from 31,8 % in 2007 to 30,9 % in 2009) in staff allocated to "administrative support and coordination functions", which forms only part of the overall overhead; recalls its previous demands for measures aimed at attaining a proportion of 20 % in this area (paragraph 217 of its above-mentioned resolution of 23 April 2009);

Urges the Commission to submit, together with the preparatory documents for the 2011 budget (formerly working documents relating to the preliminary draft budget), an establishment plan implementing a 3 % reduction in this field as a first step towards reaching the 20 % level by the end of the term of office of the Barroso II Commission.

Commission's response:

The Commission has taken the recommended action.

Taking all persons on Commission premises in early 2010, 29.5% of them were engaged in support and coordination functions, compared to 31.8% in 2007, 31.7%

in 2008 and 30.9% in 2009. This figure comes down to 26.7% if one counts only persons serving the Commission in its own administration support and coordination functions, after deducting persons identified as serving other institutions or agencies.

The detailed figures were transmitted by note from Vice-President Šefčovič and Commissioner Lewandowski to M. Lamassoure, President of the EP Budget Committee, on 1st June 2010.

The Commission will continue its efforts of redeploying resources dedicated to horizontal and coordinating functions to operational and political tasks, but within reasonable limits. For this exercise the 20% figure is not an objective as such.

35. (European Parliament, § 84) - Calls on the Commission, in the run-up to review of the Staff Regulations of officials and Conditions of Employment of other servants, to devise and submit alternative methods for the adjustment of the pay of officials and other servants on a proper legal and actuarial basis; considers that this should bring about a broader basis of calculation for the annual adjustment and a prompter pay adjustment, and thus more appropriately reflect general economic developments in the Member States.

Commission's response:

Firstly, the method is laid down in the Staff Regulations and is valid until the end of 2012.

It takes into account evolution of purchasing power of national civil servants in central government in eight Member States, representing 76% of EU GDP, and thus follows the European Union's economic development.

The Commission will use its right of initiative to keep, amend or replace the method after its expiry.

36. (European Parliament, § 85) - Calls on the Commission to assess the value of placing candidates in entry pay grades solely in the light of their suitability and to put forward proposals for placing qualified staff in higher pay grades; expects also, as part of the assessment, a report on the practical use of cabinet members after they leave office and in relation to the entry conditions they were expected to fulfil.

Commission's response:

As regards the entry grades, the Commission services are elaborating a proposal for recruitment of the function group AD officials, where the problem is mostly situated, at two different grades, recognising the necessity to take the experience into account. The proposal is being examined at the political level.

As regards the "use" of ex-cabinet members after they leave office, Art. 11 of the Conditions of Employment of Other Servants states that they are, by analogy, subject to the same obligations (and have the same rights) as officials, viz. those defined in art. 11 to 26 of the Staff Regulations. More specifically, the Commission Decision on outside activities applies to them as well.

37. (European Parliament, § 86) - Calls on the Commission to state its position on the extent to which the savings foreseen in the 2004 reform of the Staff Regulations have actually been achieved, especially with regard to the increase in contributions by officials and other servants in the areas of health care and pensions.

Commission's response:

The Commission will include elements of comparison between forecasted and effective savings in its proposal for the review of Annex XI to the Staff Regulation, in time before its expiry at the end of 2012.

As to the staff's pension contribution, its rate and increase, if any, is based on an analysis of the long-term equilibrium of the system.

As to the contribution for the Joint Sickness and Insurance Scheme, a similar rule applies.

38. (European Parliament, § 87) - Proposes that the Commission split the hierarchical power between people with accounting responsibility and those responsible for transferring funds in application of the normal security rules for internal control in treasury management.

Commission's response:

In the Commission's context the treasury management activities that fall under the responsibility of the Accounting Officer are limited in scope by the Financial Regulation and its Implementing Rules.

In particular the Commission's treasury cannot intervene in the payment authorisation process (which falls under the responsibility of the Authorising Officers), and its responsibility is limited to the technical execution of payment instructions initiated and fully authorised by the relevant spending departments. The only transfers of funds that can be initiated by the Commission's treasury are transfers between its own accounts (that are instructed for cash management purposes). The possibility therefore does not exist that funds be transferred to third parties on the initiative of the Commission's treasury department.

The above in practice leaves the Commission's treasury operations without responsibilities that could represent any significant potential conflict with those of its Accountant.

At the same time within the Commission's treasury department there is a full segregation of duties between the accounting tasks related to the reconciliation of the bank accounts, and the payment execution tasks. The two profiles are incompatible in the Commission's system, so that officials authorised to work on the payment execution have no authorisation to post accounting entries and vice versa.

Finally, a recent audit of the Court of Auditors on the Commission's treasury management has not revealed any weaknesses or potential risks in this area.

39. (*European Parliament, §§ 88-89*) - As regards the agencies, the European Parliament recalls its demand (paragraphs 254 and 255 of its above-mentioned resolution of 23 April 2009) for the development and implementation of a general management system for the "regulatory agencies" as well as for the introduction of an effective monitoring system for the Union agencies;

Stresses in that regard that, notwithstanding the legally independent status of certain agencies, the Commission remains responsible for the implementation of the budget (in accordance with Article 317(1) of the Treaty on the Functioning of the European Union, Articles 54, 55 and 185 of Regulation (EC, Euratom) No 1605/2002 and Article 37 and Article 41(2) of Regulation (EC, Euratom) No 2342/2002).

Commission's response:

As the Commission already stressed in its answer to the European Parliament's demand in its resolution on the discharge for 2007 (paragraphs 254 and 255) , it cannot create a global management system or impose guidelines on planning, monitoring or reporting issues because of the agencies' independence and because of the limits imposed by the Legislative Authority to the Commission in the acts creating each agency.

40. (*European Parliament, § 90*) - Is concerned at the number of investigations taking over nine months and the low level of follow-up in national judiciaries of cases investigated by OLAF, and believes that an assessment of the staffing resources in OLAF should be carried out in order to see whether increased staffing could bring improvements in these two areas.

Commission's response:

Duration of investigations:

In its Management Plan, OLAF has set a target of 24 months for the completion of investigations. Results in 2009 were close to the 24 months' target. Continuous efforts are made to reduce the length of investigations. The duration of investigations is closely monitored by management. OLAF has put in place a 'de minimis' policy and is now dealing with more serious cases than hitherto. From July 2010 onwards, OLAF aims to refine its result indicators by differentiating between simple cases (which could be completed in less than 18 months) and complex cases (which could be completed in less than 36 months). This is within the framework of a policy where OLAF is dealing with cases which are more complex and have a higher financial impact. In addition, Article 11(7) of Regulation 1073/99 requires the Director of OLAF to inform the Supervisory Committee of the reasons for which it has not been possible to conclude the investigation, and of the expected time for completion. This provides an external check on the duration of investigations.

The Commission considers that the reinforced monitoring by OLAF's management and by the Supervisory Committee will contribute to a diminution in the duration of investigations and considers that it is OLAF's responsibility to assign its resources to the most complex cases.

Judicial follow up by Member States:

The follow up of OLAF-investigations is complex and judicial proceedings may be lengthy. It should be recalled that the Member States are sovereign for the prosecution and the judgment of cases. Moreover, the judicial organisation is different in each Member State. OLAF can only transmit a case to recommend further action by the national authorities, but cannot compel Member States to act.

The Commission recognises the need to ensure a better follow up including judicial follow up to OLAF investigations. Therefore its proposal for the amendment of Regulation 1073/1999 foresees that for the purposes of all its investigations OLAF should be informed of actions taken by national judicial authorities in response to information transmitted during an OLAF investigation or after its closure.

At a practical level, through its annual conferences for anti-fraud prosecutors, OLAF has established a network of specialised magistrates, who are able to assist in the follow-up.

Assessment of staffing resources:

An assessment of the staffing resources in OLAF is carried out on an annual basis in the framework of the establishment of the OLAF budget. This regular analysis led OLAF to embark upon a gradual rebalancing in the permanent versus temporary post composition of its establishment plan in order to stabilize its work force. As a matter of fact, the initial emphasis on temporary posts to ensure rapid staffing of the newly-created office has turned into a source of instability once these staff approached the end of their contract, exposing OLAF to a risk of massive departures and loss of know-how. With Amending Budget 8/2009, the Budget authority approved OLAF's plan to stabilize the office's workforce through external and internal competitions likely to facilitate the recruitment of OLAF temporary agents as officials and through a related increase in the proportion of officials to temporary agents. As new lists of laureates of internal competitions were published in March 2010, further adjustments to OLAF's establishment plan were submitted to the Budget Authority (Amending Budget 5/2010 and Draft Budget 2011).

41. *(European Parliament, §§ 91-92 and 94-95)* - Welcomes the undertakings of 15 January 2010 by the new Commission to unblock discussions in the Council about the reform of OLAF and to come forward, at the latest by July 2010, with the promised and long overdue Commission's "reflection paper" as a basis for negotiations in the Council;

Reiterates the importance of taking into account Parliament's first-reading position of 20 November 2008 on a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1073/1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF), and wishes to re-emphasise that, for the future strength of OLAF, it should remain within the Commission whilst retaining its independence; recalls that Article 317 of the Treaty on the Functioning of the European Union places an enhanced responsibility on the Member States and thus supports Parliament's continuous call for improved cooperation by the Member States with OLAF;

Requires the Commission to come forward, as a matter of urgency, with its promised and long-awaited 'reflection paper', and reiterates the importance of Parliament's above-mentioned first-reading position of 20 November 2008 on the subject; wishes to re-emphasise that, for the future strength of OLAF, it should remain within the Commission whilst retaining its independence; stresses its proposals regarding the post of Director-General of OLAF, as contained in Parliament's position, and calls for the successful candidate to be appointed very quickly; takes the view that the selection procedure needs to be carried out in an interinstitutional framework which fully respects Parliament's prerogatives;

Reaffirms its opinion that the procedure for the appointment of the interim Director General of OLAF must follow mutatis mutandis the rules contained in the act providing for OLAF's legal basis, namely Article 12 of Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF); deplors the Commission's general application of the Staff Regulations and is concerned that the Commission's position may affect OLAF's effectiveness.

Commission's response:

Reflection paper:

Commissioner Šemeta presented the reflection paper to the Committee on Budgetary Control on 12 July 2010.

The purpose of the reflection paper is to put forward some elements for reflection which would help to achieve progress in the inter-institutional debate on the future of OLAF. It identifies the convergent and divergent positions of the EP and the Council on the Commission proposal and sets out possible options in order to achieve consensus on the main issues at stake, in particular to increase OLAF's efficiency and accountability while fully respecting its operational independence. The proposal for amendment of Regulation 1073/1999 and the EP resolution in 1st reading represent the starting points for further reflection.

The Commission hopes that following the results of the interinstitutional dialogue it can present an amended proposal by the end of 2010 and that the legislative process can be concluded by the end of 2011.

Appointment of the new Director General:

Following the publication of the vacancy notice, the Commission has endorsed a short list of suitable candidates. As required by Regulation 1073/1999, a favourable opinion from the Supervisory Committee shall be needed on the short list agreed by the Commission. Subsequently, the list of suitable candidates has been transmitted to the European Parliament and the Council. While it is important to move forward quickly in finding the new Director General, the first priority is to find the best possible candidate for this post.

The Commission is committed to fully respecting the provisions of Article 12 of Regulation 1073/1999 concerning the appointment of the Director General and to involve the EP and the Council at an early stage.

Interim arrangements:

The Commission takes the view that the acting Director General was confirmed in his functions in accordance with the applicable rules and the principle of continuity of service.

42. (European Parliament, § 93) - Wishes to have early sight of the proposal for the establishment of a European Public Prosecutor's Office (EPPO) as envisaged in Article 86 of the Treaty on the Functioning of the European Union; wishes to be involved in the discussions about the establishment of an EPPO.

Commission's response:

The Treaty of Lisbon provides for several new means to reinforce the protection of the financial interests of the EU. The Union can make use of criminal law (article 325 TFEU) to reinforce this protection, and set up a body to effectively coordinate criminal prosecutions and protect taxpayers' money: the establishment of a

European Public Prosecutor's Office from Eurojust as set out in article 86 TFEU. The Commission will set out its initial ideas on the ways to promote the cause for fighting fraud and enable effective criminal prosecutions equally in all Member States to reinforce the protection of the EU Budget. To this end, the Commission will also adopt, in 2011, an amended proposal on the Regulation on OLAF investigations. Preparatory work on the establishment of a European Public Prosecutor's Office requires thorough reflection involving all stakeholders. The European Parliament will be informed from an early stage.

Revenue

43. (*European Parliament, § 97*) - Takes note, with deep concern, of the Commission's report on the Greek government deficit and debt statistics (COM(2010)0001), which raises serious doubts concerning the reliability of the data delivered by the Greek authorities; calls on the Commission to establish by its own investigations the validity of the data made available in 2008 and to confirm the regularity and legality of the calculation and contribution of the own resources made available.

Commission's response:

The requested action has been taken. The present levels of the Greek Gross National Income (GNI) data used for the calculations and contributions for own resources, including the data made available in 2008 and 2009, are in line with the results of a thorough verification carried out by the Commission in 2007. These results were discussed and supported by the GNI Committee of Member States. The Commission Report COM (2010) 1 final of 8 January 2010 deals with deficit and debt data of general government in Greece. A thorough analysis of the potential impact of the issues which emerged from this deficit and debt verification did not reveal a significant impact on GDP/GNI levels. It is also reminded that a protective regulatory system of reservations is in place that allows the Commission to take into consideration, for own resource purposes, possible corrections to GNI data if deemed necessary.

44. (*European Parliament, § 98*) - Asks the Commission to present its plans on the future handling of operations with the Greek administration; stresses that staff involved in the management of European funds must be excepted from cost-cutting measures in order to ensure the maintenance and integrity of the management structures.

Commission's response:

The Commission would like to point out that based on a joined agreement with the EU and the IMF Greece has started to implement a comprehensive reform programme (Economic Adjustment Programme) as a pre-condition for financial assistance. The programme terms include far-reaching reforms of Greek public administration, of public financial management and fiscal frameworks as well as measures to improve the absorption of EU structural and cohesion funds. However, it should be stressed that concerning the management of EU funds, Greece has already been subject to the same strict monitoring of the legality and regularity of spending as all other Member States which has inter alia resulted in low levels of EU funds disbursement.

The implementation of the reform programme is subject to strict regular monitoring. Progress according to the agreed time-frame is a pre-condition for the disbursement of successive tranches of the agreed financial assistance. The first phase of the reforms is progressing well and the Commission is convinced that the successful implementation of the entire reform programme will lead to substantial improvements in Greek fiscal management.

45. (*European Parliament, § 99*) - Notes however, regarding the VAT-based own resources, that reservations dating back as far as 1989 continue to exist, and calls on the Commission, in cooperation with the Member States, to continue its efforts to ensure that reservations are lifted within reasonable timescales.

Commission's response:

The Commission has introduced Management Meetings as an efficient and effective tool to address reservations that merit special attention. The number of long outstanding reservations has been reduced from 35 to 12. At the same time action has been taken to improve the overall age-profile of reservations with 63% of all reservations now having been set in 2008 or later.

46. (*European Parliament, § 100*) - Asks the Commission, regarding GNI-based own resources, to follow the Court's recommendation in point 4.36 of its 2008 Annual Report and to communicate to Parliament details of the progress made in applying direct verification and assessing supervisory and control systems in Member States' national statistical institutes.

Commission's response:

The requested action has been taken. The Commission has set up and applies a complete common framework of GNI validation based on the verification and improvement of the statistical sources and methods used by Member States to calculate their GNI data (the so-called GNI inventories), taking into account risk analysis. The Commission considers that this approach is essential to reach conclusions on the quality of Member States' GNI data in accordance with the provisions of GNI Regulation (1287/2003). Further to the observations from the European Court of Auditors, the Commission started using direct verification since 2007, and has established specific rules that were approved by the GNI Committee in April 2009. By end February 2010, the Commission carried out direct verifications in 24 Member States, covering all EU-15 and 9 EU-10 countries. For Cyprus and EU-2, direct verifications will be performed in 2010-2011. Finally, in continuing to promote the sharing of best practices for the development and assessment of national supervisory and control systems between countries, the Commission held a seminar on supervisory and control systems in which Member States and the Court of Auditors participated in December 2009. The issue of national supervisory and control systems for national accounts will be followed at future meetings of the GNI Committee in 2010.

The common agricultural policy

47. (*European Parliament, § 102*) - The overall credibility of the system must not be jeopardised by the extreme spread of on-the-spot error rates by Member State in the implementation of area aids; calls for well directed, immediate measures resulting in both administrative relief for outperforming Member States and effective countermeasures;

Commission's response:

The requested action has been taken. The control requirements on Member States in the field of agriculture take into account the principle of proportionality. An example is the percentage of direct aid applications to be checked by Member States which increases if the level of irregularities found in the initial 5% sample is high.

Where in the past significant weaknesses have been identified, the Member States concerned have been requested to establish detailed action plans in close cooperation with the Commission. The implementation of such action plans is closely followed up by the Commission.

48. (*European Parliament, § 106*) - Calls for a simplification of complex rules and more precise definitions of eligibility criteria, especially for agri-environmental schemes, first of all at Commission level but also at national level, in the context of the rural development plans, and asks also for all stakeholders to be given more comprehensive and clearer instructions and guidelines, and for training actions to be organised;

Commission's response:

The Commission is taking the requested action.

Rural development measures, and notably agri-environmental ones, are characterised by more demanding eligibility criteria compared to direct payment schemes. The resulting complexity is known and accepted as a condition to achieve the overall objective of providing environmental benefits and public goods through these aid schemes.

Nevertheless, there is scope for some simplification of the agri-environmental measures. The Commission has taken several measures to simplify existing rules and to ensure effective and efficient implementation of the control rules in rural development. In particular Commission Regulation (EC) 1975/2006 has for the first time established a comprehensive and transparent legal control framework for rural development. Furthermore, the Commission has established in 2007 a final version of a guidance note providing guidelines and additional explanations for the implementation of agri-environmental measures. Finally, the Commission has enhanced its audit activities in this area.

However, it should be noted that the rural development programmes are implemented under the shared management and that the Community legislation

only provides a general legal framework whereas it is up to the Member States themselves to define detailed eligibility criteria at national level. Furthermore, Annex VI of Commission Regulation (EC) No 1974/2006 requires that the managing authorities disseminate the most comprehensive information possible on the financing opportunities covering, inter alia, application procedure, the eligibility conditions and selection criteria.

Commission Regulation (EC) 1975/2006 will be recast during 2010 in order to simplify and clarify certain rules. In addition, as part of DG AGRI 2010 annual audit work programme, a task force has been set up to follow up the high error rate reported by certain Member States in 2009 for rural development measures under axis 2.

49. (European Parliament, § 109) - Emphasises the importance of prompt and thorough ex-post audits to detect ineligible expenditure and/or inadequate supporting documentation, in order to allow the necessary corrections to be made;

Commission's response:

The requested action has been taken.

All aid measures other than direct payments covered by the IACS are subject to ex-post controls under either Regulation (EC) No 485/2008 or, for rural development measures, Regulation (EC) No 1975/2006. Moreover, the paying agencies' annual accounts and the functioning of their internal control procedures are verified and certified on an ex-post basis by the certification bodies. Both types of ex-post controls are carried out in accordance with an annual audit plan established on the basis of a pre-determined audit strategy.

50. (European Parliament, § 111) - Considers that the question of beneficiaries who do not meet the definition of "farmers", as denounced by the Court in the 2008 Annual Report, should be resolved by the Commission in order to provide a greater level of assurance which can be gained from the work of the certification bodies;

Commission's response:

Under EU legislation, natural or legal persons are entitled to receive SPS/SAPS payments if they carry out an agricultural activity. An agricultural activity means the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural (and environmental) condition. Thus, it is sufficient that the beneficiary fulfils its obligation to maintain the rural area at its disposal in good agricultural (and environmental) conditions.

However, as regards the Parliament's request, the Commission has already addressed the issue of the farmer definition in the framework of the Health Check by giving Member States the possibility to exclude from direct payment schemes natural or legal persons whose principal business objects do not consist of exercising an agricultural activity or whose agricultural activities are insignificant (Article 28(2) of Regulation (EC) No 73/2009).

Further reflexion will take place in the scope of the post 2013 CAP reform.

51. *(European Parliament, § 112)* - Takes note of the conclusions of the Court and therefore urges the Commission to improve checks in those Member States which did not comply with Community legislation when allocating entitlements beyond the provisions of the regulations;

Commission's response:

The requested action has been taken. Weaknesses in the allocation of entitlements are being followed up by the Commission in the framework of the conformity clearance procedures.

52. *(European Parliament, § 114)* - Asks the Commission to carry out a detailed follow-up to ensure that the debts at the overall level of the debtors' accounts are correct and properly charged to the Community budget;

Commission's response:

The requested action has been taken. The Commission obtained enough information on debtors for clearance and accounting purposes. Corrections amounting to EURO 14.8 million have been proposed by the Commission based on its assessment of the errors found by the certification bodies in their reports. The financial errors found are followed up through the normal clearance of accounts procedures.

53. (*European Parliament, § 116*) - Stresses the absolute priority of further reducing global error rates, which remained high in this spending area in 2008, and of improving the Commission's supervision and the system of recoveries;

Commission's response:

The Court's 2008 Annual report is based on a sample of 2000-2006 expenditure only. Therefore the situation was expected to be in line with the previous annual reports. For 2000-2006 the Commission will correct the deficiencies identified during implementation, and ensure a rigorous closure process.

For the 2007-2013 programmes, the Commission considers that the reinforced legal framework has enhanced management and control systems. But also the vast simplification measures adopted in 2008-2009 should lead to lower error rates in interim payments. The first effects of this reinforced control framework are expected to be visible at the end of 2010 onwards, based on the results of Community audits and after receiving in December 2010 (and thereafter in December each year) the results of the 2009 audits by Member States' audit authorities on the first yearly statistical samples of expenditure declared under the 2007-2013 programmes.

An indication on the results of the reinforced control framework is the Commission's audit of a sample of projects under the 2007-2013 period, using a methodology similar to the Court's. As reflected in the Commission's Impact report of 17 February 2010 (COM(2010)52), the first preliminary results of this inquiry reveal a clear decrease of the estimated error rate that suggests that actions taken are sound. Nevertheless, this result should be read with prudence, as it is based on a population of 15 Member States, as not all of them, including some countries where most of the important errors were concentrated in the past, had declared expenditure by the end of May 2009.

54. (*European Parliament, § 120 (1st part)*) - Reiterates its call for further simplification of the rules proposed by the Commission and, at the same time, for the introduction of more efficient controls at national and EU level, with a view to effective implementation of the Structural and Cohesion Funds;

Commission's response:

The Commission fully agrees and has already taken steps in order to translate this request into concrete action. In 2008, the Commission set up a Task Force at Commission level between DG REGIO and DG EMPL, with the aim to identify specific measures to be adopted at legislative and non-legislative level in order to facilitate the financial flows to beneficiaries and simplify the implementation of interventions, while ensuring the EU financial interests. This Task Force had several reflections and discussions with an Expert Group on Simplification, composed by national experts from managing authorities, certifying authorities and audit authorities in the Member States. Several of the proposals discussed within the Task Force and the Expert Group are reflected in the three

modifications of the General Regulation, the amendment of ESF and ERDF Regulations as well as the amendment of the Commission's implementing Regulation. For simplified costs, which have a clear added-value in terms of implementation and controls, the adoption of the Commission guidelines on 28 January 2010 is expected to facilitate Member States' use of these options. In parallel, the Commission services are providing their ex-ante assessment on national proposals for the calculation of indirect costs on a flat-rate basis, trainings and, if needed, assistance to national authorities.

Simplification of the regulatory framework comes to an end but the Commission will pursue this objective. After the last set of simplifying legislative measures was adopted by the Parliament in 2010, the Commission intends to pursue its simplification efforts by discussing with Member States on further simplification of the practical working arrangements.

The single audit principle incorporated in the regulatory framework applicable for 2007-2013 (article 73 of Regulation 1083/2006) is expected to improve controls at national level: national audit authorities will work closely with Community audit services in the same assurance building process.

55. (European Parliament, § 120 (2nd part)) - Takes the view that an objective assessment of the effects of the simplification measures introduced in 2008-2009 is essential, and calls on the Commission to carry out this assessment by the end of 2010;

Commission's response:

The Commission fully agrees and has already taken steps in order to translate this request into concrete action. In 2008, the Commission set up a Task Force at Commission level between DG REGIO and DG EMPL, with the aim to identify specific measures to be adopted at legislative and non-legislative level in order to facilitate the financial flows to beneficiaries and simplify the implementation of interventions, while ensuring the EU financial interests. This Task Force had several reflections and discussions with an Expert Group on Simplification, composed by national experts from managing authorities, certifying authorities and audit authorities in the Member States. Several of the proposals discussed within the Task Force and the Expert Group are reflected in the three modifications of the General Regulation, the amendment of ESF and ERDF Regulations as well as the amendment of the Commission's implementing Regulation. For simplified costs, which have a clear added-value in terms of implementation and controls, the adoption of the Commission guidelines on 28 January 2010 is expected to facilitate Member States' use of these options. In parallel, the Commission services are providing their ex-ante assessment on national proposals for the calculation of indirect costs on a flat-rate basis, trainings and, if needed, assistance to national authorities.

Simplification of the regulatory framework comes to an end but the Commission will pursue this objective. After the last set of simplifying legislative measures was adopted by the Parliament in 2010, the Commission intends to pursue its simplification efforts by discussing with Member States on further simplification of the practical working arrangements.

The first effects of the reinforced control framework are expected to be visible at the end of 2010 onwards, based on the results of Community audits and after receiving in December 2010 the results of the 2009 audits by Member States' audit authorities on the first yearly statistical samples of expenditure declared under the 2007-2013 programmes. An indication on the results of the reinforced control framework is the Commission's audit of a sample of projects under the 2007-2013 period, using a methodology similar to the Court's. As reflected in the Commission's Impact report of 18 February 2010, the first preliminary results of this inquiry reveal a clear decrease of the estimated error rate that suggests that actions taken are sound. Nevertheless, this result should though be read with prudence, as it is based on a population of 15 Member States, as not all of them, including some countries where in the past where concentrated most of the important errors, had declared expenditure by the end of May 2009.

56. (European Parliament, § 121) - Present, in addition to the current Action Plan, a proposal in cooperation with the Court of Auditors for solving the phasing difficulties between the multiannual budgetary framework and the annual auditing system;

Commission's response:

The Court of Auditors is bound by the Treaties and gives an annual opinion of the implementation of the Commission budget. Structural Funds programmes run in a multiannual framework. The Commission ensures the protection of the financial interests of the Union by applying the management and control systems and procedures as provided for in the financial and sector regulations decided by the legislator in order to prevent, detect and correct errors harming the EU budget.

Multiannual programmes are subject to multiannual control systems and many errors detected by the Court in a given year would normally have been detected and corrected by Commission's systems in subsequent years. This can be demonstrated by calculating residual error rates at the time of closure of a programme, which have been shown in the past to be lower than during the implementation period.

Note 6 to the consolidated accounts presents information on financial corrections confirmed and implemented in a specific year, as well as cumulative information. It has been reviewed for the 2009 accounts. The Commission has improved the presentation to respond to stakeholders' requests.

57. (European Parliament, § 122) - Asks the Commission to provide for translation in due course of the guidelines for public authorities in the Member States;

Commission's response:

Several guidelines are already available for the Member States in all official languages. The remaining translations will be made available by the end of October 2010.

58. (European Parliament, § 125) - Encourages the Commission to further increase its efforts by providing guidance to Member States and encouraging them to strengthen recovery procedures and reporting;

Commission's response:

The Commission is taking the requested action. It considers appropriate training for national authorities of utmost importance in the context of shared management of the structural funds. Since the beginning of the current programming period the Commission has provided regular and early training and guidance to the competent authorities in the Member States. Specific training actions were also foreseen in the Commission Action Plan adopted in February 2008 (COM(2008)97) in that regard and are carried out on a regular basis.

The strict policy applied by the Commission in matter of payment suspension and financial correction is a clear incentive to Member States for implementing financial corrections where needed.

The Commission is also taking steps to improve the quality of information provided by Member States on recoveries. It has analysed the information provided in previous years and made appropriate recommendations where needed. It has written to all Member States in December 2009 requesting information related to 2009 and previous years. It has also requested Member States to ensure that gaps and inconsistencies of previous reporting rounds are remedied. Moreover, the Commission carried out in 2009 a second series of on-the-spot reviews of Member States systems for recoveries, covering nine Member States, in addition to the ten Member States audited in 2008. It will complete the reviews in 2010 with visits to the remaining Member States. Those steps have shown results, as the data provided by the Member States in 2009 are of better quality compared to the previous years.

59. (European Parliament, § 127) - Calls on the Commission to verify the origin of the infringement of public procurement rules;

Commission's response:

The Commission is taking the requested action. The Commission has recently initiated an ex-post evaluation of the relevance, effectiveness and efficiency of the basic EU public procurement legislative framework (Directives 2004/17/EC and 2004/18/EC). The evaluation will focus primarily on: (1) analysing the cost-effectiveness of public procurement procedures and rules, including compliance costs and administrative burden; (2) examining ways in which EU public procurement framework can be used to support other policy objectives (promoting innovation, environmental protection and social inclusion). The evaluation will also include description of Member State implementation and administrative structure to implement public procurement policy, including EU legislation in this area. The results of the evaluation will be finalised by summer 2011.

In addition, a Commission interservice task force is examining the most common public procurement issues arising in the context of implementation of cohesion projects.

The Commission will, where applicable continue to audit the application of the EU directives on public procurement by carrying out its own enquiries in some cases or by asking the Member States' audit authorities to perform such enquiries on its behalf.

60. (European Parliament, § 128) - Encourages the Commission to present by 2011 at the latest a proposal on tolerable risk of error in the Cohesion policy area, which has been the most error-prone area;

Commission's response:

The Communication "More or less control. Striking the right balance between the administrative costs of control and the risk of error" of 26 May 2010 (COM(2010) 261) included proposals on tolerable risk of error for Rural development and for Research, Energy and transport. For "Cohesion Policy", a new analysis will be presented towards the end of 2011, once 2010 DAS results are available. It is important that this analysis is based on 2010 data during which the new legal framework (2007-2013 legislation) with its stronger control provisions will govern most expenditure and newly implemented simplifications will have kicked in.

In line with the objective of its future TRE proposals, the Commission will analyse the resources available and the part of those resources dedicated to the control systems when defining a cost-effective level of control for all the remaining policy areas.

61. (European Parliament, § 129) - Calls on the Commission to make an initial analysis, as a matter of urgency, of the cost-benefit ratio existing between the resources dedicated to control activities in DG REGIO and DG EMPL and the results obtained by these controls;

Commission's response:

The Commission is taking the recommended action. It has already carried out an initial analysis on the cost of controls and their results in the Cohesion area for the 2000-2006 period. The results of this analysis were published by the Commission in its Communication on the concept of tolerable risk of error (COM(2008)866 final). The Commission will present towards the end of 2011 an analysis of the same concept, based on analysis of the 2010 DAS, which will cover the first year when the strengthened control provisions for the 2007-2013 legislative period govern the majority of expenditure in this area.

62. (European Parliament, § 131) - Stresses the need to ensure that the situation in which, with the 2000-2006 programming period coming to an end, national authorities, under pressure to absorb all committed funds, may have submitted an increasing number of unforeseen projects, will not be repeated in the current programming period and calls on the Commission to strictly apply corrective and dissuasive measures (suspensions of payments and financial corrections) against Member States where appropriate;

Commission's response:

The Commission is taking the recommended action. The automatic decommitment rule applicable in the period 2000-2006 ensured that expenditure is used by Member States in a uniform manner throughout the period, in order to avoid massive expenditure declarations in the last year, as was the case in 1994-1999. The Commission monitored in addition the advance in the implementation of programmes through participation in monitoring committees and continuous contacts with Member States authorities. In addition, in the context of the economic crisis and the risk of losing funds, the Commission granted an extension to the eligibility period for some programmes.

The introduction in the operational programmes of projects first financed at a national level is not, per se, an irregular practice but compliance with all legal requirements and control criteria should be fully applied to those projects. In 2005 the Commission issued guidance to Member States confirming that these projects could only be included retrospectively in the operational programmes if they meet all requisite conditions, including fulfilment of the programme objectives and selection criteria, the eligibility criteria, the performance of controls, the publicity requirements etc.

Where these requirements were not met, the Commission has already applied suspensions of payments and financial corrections where necessary.

Finally, the Commission has put in place and is implementing a comprehensive closure strategy, which includes a series of preventive (closure guidelines, seminars and training to Member States authorities, review of the work of the winding-up bodies) and corrective measures (strict application of suspensions and financial corrections and closure audits) in order to ensure that final expenditure declared to the Commission is legal, regular and eligible.

63. (European Parliament, § 132) - Calls on the Commission to perform its supervisory role with the utmost rigour in what concerns the increased probability that the control systems fail to prevent and detect errors during the start-up phase due to the slow start-up of programmes related to the 2007-2013 programming period due to the late submission by Member States of compliance assessment reports and audit strategies;

Commission's response:

The Commission is taking the requested action. In spite of not having approved management and control systems, it considers that there is a limited risk that such systems, approved at national level, do not comply with requirements and do not function effectively. Mitigating controls are in place and the Structural Funds Directorates-General have taken this risk into account in its audit strategy and also drawn this risk to the attention of the audit authorities. Each national audit authority has to present to the Commission their conclusions from the audit of a representative sample of operations on expenditure declared in each year and an opinion on the effective functioning of systems.

When irregularities are detected the Commission will not hesitate to perform its supervisory role and, where necessary has already interrupted payments, or

launched procedures to suspend payments or proceed with financial corrections, in accordance with the strengthened regulatory framework for 2007-2013.

64. (European Parliament, § 133) - Requests the Commission to identify and spread best practices amongst Member States in order to allow an increased absorption of funds and improved beneficiary cash-flow by amending and simplifying the Structural Funds implementing regulations at national level;

Commission's response:

The Commission is taking the requested action. The Commission will continue its training and guidance activities to identify and spread best practices amongst Member States at all levels.

65. (European Parliament, § 135) - Requests the Commission to provide it, in its forthcoming synthesis report and its DGs' annual activity reports, with clear information identifying those Member States the control systems of which are the least effective and producing an annual grading of Member States for each fund;

Commission's response:

The 2009 AARs show a noticeable improvement across the Commission, both in terms of the quality of the evidence presented in support of the assurance and the readability of the reports.

The Standing Instructions for the AARs were subject to a major overhaul, including the introduction of a clear distinction between the information to provide on the financial and nonfinancial internal control systems and the building blocks supporting the declaration of assurance.

The Peer Review of the annual activity reports was further enhanced by early interventions by Central Services (pre-peer reviews) and systematic feedback to services on the quality of their reports.

Most Commission services already provide in their annual activity reports a clear assessment of the effectiveness of their (and Member State's regarding shared management) internal control systems.

They also provide a clear identification of programmes and Member States which are the least effective and detailed information on the identified weaknesses and remedial measures underway.

The Synthesis report adequately addresses the weaknesses identified and is not intended to set up a grading list of the best and worst management systems.

66. (European Parliament, § 136) - Draws attention to the Court's observation, similar to that for the year 2007, that the scope and scale of the reservations in the annual activity reports understate the gravity of the problems of irregularity and ineffective control systems; takes the view, therefore, that the DGs' approach should be more prudent and the scope of the reservations consequentially greater;

Commission's response:

The Commission considers that the reservations in the 2008 Annual Activity reports are in line with the materiality criteria established and give a fair view of the existing system weaknesses. Reservations of DGs Regional Policy and Employment, Social Affairs and Equal Opportunities were based on a detailed analysis of each operational programme, using a variety of sources, notably the Commission's own audit work, the results of the Court's audits, national audit work, the Annual Summaries, annual implementation reports and meetings of the Monitoring Committees. This analysis resulted in more narrow reservations than in 2007 due to the implementation of the Action Plan and vigorous action by the Commission to suspend payments and to make financial corrections where justified. The Commission concluded with effective results 24 national corrective action plans, followed up all reservations in the 2007 AARs and applied more than €3.8 billion financial corrections in 2008 and 2009.

It is important to note that the Court's findings show that the errors detected by the Court in Cohesion Policy in 2008 are concentrated on programmes for which the Commission was already aware of deficiencies and had put in reservation the relevant programmes and had taken beforehand appropriate action, such as suspensions of payments, action plans and financial corrections.

67. (European Parliament, § 138) - Takes the view that the Commission should make sure that, in future, only irregularities identified by Member States themselves can be substituted for other expenditure without any loss of funding for the Member State concerned;

Commission's response:

The legal framework provides that if the Commission applies a financial correction and the Member States accepts this correction, it can re-use the funds for another eligible project within the same programme.

68. (European Parliament, § 139 (1st part)) - Calls on the Commission to take further steps to ensure that Member States fulfil their obligations by rigorously verifying and assessing the reliability and completeness of the reported data, and looks forward to receiving the new guidance note to certifying authorities, including the Commission's recommendations for improving reporting procedures;

Commission's response:

The Commission is taking the requested action. In the framework of its 2008 Action Plan the Commission has carried out audits of Member States' systems for withdrawals and recoveries in 19 Member States. The remaining Member States will be audited in 2010.

For the 2007-2013 period, there is a standardised procedure for submission of recovery statements through the IT system SFC2007. The Commission expects that this reporting procedure will improve the quality of information in its disposal. Member States are also required to distinguish corrections deriving from their own controls and those from EU audits.

The requested guidance note has already been finalised in early 2010 (COCOF 10/0002/00/EN) and will be communicated to the European Parliament.

69. (European Parliament, § 139 (2nd part)) - Requests the Commission to identify in its forthcoming synthesis report those Member States that are not fully complying with the reporting requirements;

Commission's response:

The requested action has been taken. The Commission has published the information on the quality of the Member States' reporting systems on withdrawals and recoveries in the Annual Report on the implementation of the Structural Funds. The Structural Funds DGs have published this information in their respective Annual Activity Reports.

70. (European Parliament, § 142) - Asks the Commission to constantly monitor the plausibility of the reported numbers and to verify on the basis of its own investigations the efficiency of reporting systems where the reported number of irregularities appears to be excessively low;

Commission's response:

The Commission is taking the requested action. In the framework of its 2008 Action Plan the Commission has carried out audits of Member States' systems for withdrawals and recoveries in 19 Member States. The remaining Member States will be audited in 2010.

71. (European Parliament, § 143 (1st part)) - Calls on the Commission to provide detailed information on the implementation figures and distribution schemes for payments made out of the European Union Solidarity Fund by the Greek authorities following the devastating forest fires;

Commission's response:

The Commission is taking the requested action. Detailed information on implementation of the EU Solidarity Fund grants as well as on the obligatory controls to be carried out by a Member State under the Solidarity Fund regulation, as well as on any possible corrections made as a result of such controls, are provided by the Member State when it submits its Validity Statement together with the final report. Greece has only recently submitted such a statement. The document is currently in the process of being analysed by the Commission.

72. (European Parliament, § 143(2nd part)) - Calls on the Commission to provide information on the ex-post controls carried out and the results thereof on the implementation figures and distribution schemes for payments made out of the European Union Solidarity Fund by the Greek authorities following the devastating forest fires;

Commission's response:

The Commission is taking the requested action. Detailed information on implementation of the EU Solidarity Fund grants as well as on the obligatory controls to be carried out by a Member State under the Solidarity Fund regulation, as well as on any possible corrections made as a result of such controls, are provided by the Member State when it submits its Validity Statement together with the final report. Greece has only recently submitted such a statement. The document is currently in the process of being analysed by the Commission.

Employment and social affairs

73. (*European Parliament, § 148*) - Encourages the Commission to put its own figure on the ESF error rate and to examine the possibility of greater autonomy for the ESF in the forthcoming financing period;

Commission's response:

The error rate provided by the Court of auditors on a yearly basis is the result of an extrapolation based on its audit work conducted on a sample of transactions covering all Member States and all the funds under the Cohesion policy chapter. Even if it is not possible for the Court to extrapolate an individual error rate for the ESF (because ESF transactions are still part of the Cohesion sample), some specific figures for each fund can be found in the Annex 6.1 of the 2008 annual report.

It should also be noted that neither the Commission nor the Court compile an error rate by fund as this is not required by the applicable legal framework and this would require diverting significant resources from other essential audit activities. The audits performed by Member States audit bodies are partially representative and partially risk based, and by the Commission risk-based, error rates cannot be produced or considered representative of the programmes. For Structural funds, for the period 2007-2013, the regulations require the audit authorities to provide the Commission with annual control opinions and error rates, as a result of their audits, which will be based on random statistical samples. Therefore such rates will better reflect the exact situation per programme, year after year.

Nonetheless, the error rate cannot be used as the only indicator of the effective functioning of the systems. DG EMPL audit services are already providing an overall assessment programme by programme in the Annual Activity Reports; and are working closely with the national audit authorities to provide assurance to the Director General for Employment that control systems function effectively.

The Commission takes note of the suggestion of the European Parliament for a greater autonomy of the ESF. This question will naturally be examined in the framework of the discussions and negotiations around the new Financial Framework 2014-2020.

74. (*European Parliament, § 150*) - Notes that the error rate does not necessarily refer solely to fraud, and calls, therefore, for a clear distinction to be made between instances of fraud and error rates in the future;

Commission's response:

In its audits for DAS 2008, the Court of Auditors did not identify any fraud case in the Cohesion policy area. The Commission pursues actively its activities in the prevention and detection of fraud in close co-operation with OLAF. The audit services of the Commission are also implementing the "Joint fraud prevention strategy for ERDF, ESF and CF" approved in December 2008 by DG EMPL, REGIO and OLAF.

75. (European Parliament, § 151 (1st part)) - Calls for an appraisal of the reporting requirements, with a view to ensuring that information is not sought twice;

Commission's response:

All reporting requested to Member States authorities are subject to legal requirements in the specific regulation on Structural Funds. The two reports mentioned are established by different authorities on different purposes.

The annual control report contains the findings of the audits carried out during the previous year by the national audit authority. The common audit strategy set up by art. 73 of Reg. 1083/2006 is specifically aimed at avoiding duplication of audit work by setting up a co-operation framework between national and community audit services.

The annual implementation report is established by the management authority in application of art. 67 of Reg. 1083/2006 and covers all issues (including financial) in relation to the implementation of the operational programme on the ground.

The Commission has specifically addressed the issue of the simplification in reporting requirements by adopting Reg. 846/2009 of 1 September 2009 amending implementing regulation 1828/2006 (OJ L 250, 23.9.2009, p. 1–62).

76. (European Parliament, § 151 (2nd part)) - Calls on the Commission, therefore, to develop proposals to improve and expand the existing reporting requirements, incorporating a sanctions mechanism;

Commission's response:

The Commission proposal for a new Financial Regulation (art. 53a) reinforces the reporting obligations of the Member States in the framework of shared management. Although specific sanctions on reporting requirements by national authorities are not provided by the legal framework currently applicable to Structural Funds for the 2007-2013 programming period, in the absence of annual audit reports, the Commission may interrupt interim payments until the required reports are received. The Commission has already applied such payment interruptions on this basis.

77. (European Parliament, § 152) - Notes the scope for conflicts of interest between those responsible for managing funding and beneficiaries of funding in the allocation process; calls on the Commission to take steps to enforce the rules on the prevention of conflicts of interest in the allocation process by providing national administrations with adequate resources;

Commission's response:

Regulation 1828/2006 requires in its art. 13(5) that where the managing authority is also a beneficiary under the operational programme, Member State's authorities should provide for arrangement for the administrative verifications and on-the-spot controls to be provided by the managing authority to ensure an adequate separation of functions in accordance with art.58(b) of Reg.1083/2006. The

Commission services pay attention to the respect of this obligation in their audit activities and take legal actions (interruptions, suspensions or financial correction) where an audit report shows that these legal requirements are not respected.

78. (European Parliament, § 153) - Underlines the specific needs of target groups and project leaders in the ESF; suggests that the co-financing of projects should also include voluntary activities in non-profit-making organisations and contributions in kind;

Commission's response:

Non-profit bodies are typical beneficiaries in ESF operational programmes. In-kind contributions are specifically recognised by art 56 of Reg. 1083/2006 as eligible expenditure under the conditions that they are eligible under national eligibility rules, their amount is justified by accounting documents with probative value equivalent to invoices and the co-financing from the Funds does not exceed the total eligible expenditure excluding the value of in-kind contributions.

79. (European Parliament, § 154) - Recalls the latest amendments made to the Structural Fund Regulations (Regulation (EC) No 1341/2008 , Regulation (EC) No 284/2009 , Regulation (EC) No 396/2009 , Regulation (EC) No 397/2009 and Regulation (EC) No 846/2009) with the aim of simplifying administrative procedures; calls for a report on the effects of these amendments;

Commission's response:

The Commission estimates that the full effect of the simplification on the error rate may only be seen later on in the 2007-2013 programming period, when the impact of the new regulatory framework and all simplification measures adopted, including simplified costs, will produce tangible results. Nevertheless, it estimated in its impact report on the Commission Action Plan (COM(2010)52) that the decrease in error rates for representative samples taken from 2007-2013 programmes is already an indication of the first impact of the improved control mechanisms in the 2007-2013 regulations and of the strengthened supervisory role of the Commission following its Action Plan.

80. (European Parliament, § 155) - Notes that such simplification procedures are key to reducing administrative burdens at national, regional and local levels; stresses the importance of ensuring that such procedures do not lead to a higher error rate in the future;

Commission's response:

The Commission fully agrees with the Court of Auditors which advised to pursue further the simplification with care. The Commission intends to pursue the simplification exercise through practical working arrangements with Member States, while maintaining the momentum reached through the Action Plan of 2008 in the strict application of the reinforced regulatory framework for 2007-2013, including by applying interruptions, suspensions of payments and financial corrections where necessary. The Commission services will continue to bring their assistance to Member States authorities in the implementation of the simplification

exercise. In the specific context of ESF operations, the Commission services have already offered to Member States authorities to review - before their implementation - the schemes envisaged at a national level for the declaration of indirect costs at a flat rate, which, at 30 June 2010, conducted to the approval of 20 schemes applicable to operational programmes of 10 Member States.

Internal policies

81. (*European Parliament, §§ 156-164, 168-169*) - As regards research, energy and transport, the European Parliament welcomes the slight reduction in errors compared to previous years for this policy group as well as the improvement concerning late payments, the Court having found that the Commission considerably improved its performance in 2008 in making timely payments to beneficiaries;

Urges the Commission to do its utmost to maintain the positive 2008 trend in this area, which is under the Commission's direct financial management;

Nevertheless, notes with concern that, in general, as regards research, energy and transport the Court's audit once again reveals a material level of error in payments to beneficiaries and in the Commission's supervisory and control systems, which do not sufficiently mitigate the inherent risk of reimbursement of overstated costs;

Is especially concerned by the outstanding reservation made by the four Research family services due to the rate of residual errors affecting cost claims in the Sixth Framework Programme (FP6);

Notes also the systemic disparity in the treatment of the EU's funds' recipients in different sectors, programmes and management modes;

Is concerned that the EU's public image may suffer as a result of the stakeholders' realisation that stricter control systems are applied to the agricultural domain than to research implementation;

Notes that some legal provisions regarding research funding (e.g. concerning sanctions) were not applied previously, and calls on the Commission to end this state of affairs and to ensure the full and consistent application of the existing legal provisions;

Recalls at the same time its demands raised in its above-mentioned resolution of 23 April 2009 (paragraph 117 et al), in particular its request for abstention from any retroactive changes and for beneficiaries' legitimate expectations to be honoured, as well as speeding up the acceptance of certificates concerning the methodology applied in relation to average personnel costs, where no visible progress has been achieved; calls on the Commission, for the purposes of good law-making, to submit realistic proposals in terms of both targets and procedures in the future;

In that regard, notes with deep concern that only one certificate concerning the methodology applied in relation to average personnel costs has been approved;

Stresses that the Commission must ensure rigorous application of the controls, in particular by improving the reliability of audit certificates and through effective implementation of its ex-post audit strategy, imposing penalties where appropriate and making timely recoveries or adjustments in cases of undue reimbursement of claimed costs, as recommended by the Court;

Also requests the Commission to reflect on the distribution of activities between the research DGs, which, combined with the absence of an integrated management

information system, according to the Court renders coordination more difficult, in particular for the follow-up of audit results;

Commission's response:

The Commission aims to provide a coherent audit programming, respecting the single audit approach.

The implementation of the FP6 audit strategy in place in the Commission will end in 2010 and consequently at that time the Commission will get the final error rate for the whole FP6. According to the results of the audit strategy, the situation at the end of 2009 has further improved. The error rate is, in 2009, 2.21 % instead of 2.63 % as it was in 2008.

The control systems implemented by the Commission in different sectors and programmes are not comparable in terms of strictness or leniency. The Commission implements internal control systems for the management of these programmes in order to meet their policy aims and under the conditions and restrictions set by the legislative authority in an effective and efficient manner at a reasonable cost. The funding conditions foreseen in these programmes may differ and, as a consequence, a programme may set stricter conditions than other.

The controls applied in the research area, including the audit strategy, the thorough implementation of its results and the correction of systematic audit findings for non-audited contracts (extrapolation) provide for an stringent control of the costs claimed, which has resulted in a reduction of the error rates over time, as noted by the Court of Auditors and the European Parliament. Furthermore, the Commission is committed to ensuring that it provides for uniform interpretation and application of the rules and procedures.

As regard the comparison with Agriculture it is to be noted that both programmes have different policy objectives and funding provisions. The legislation in place for Agriculture defines, as a general rule, that 5% of the beneficiaries should be controlled. For the Research Sixth Framework Programme, the audit policy, including extrapolation, has already covered in excess of 50% of the expenditure.

As regards the application of sanctions, the Commission now systematically applies liquidated damages whenever a beneficiary is found to have overstated expenses.

The Commission can mainly ensure legality and regularity by conducting ex-post audits and controls, in particular on the premises of the beneficiary, and then recovering any amount due. Reliance on the ex-post detection and correction of errors to ensure the legality and regularity of the payments requires the implementation of a large number of recoveries, putting a very heavy burden on both the Commission and the beneficiaries. In accordance with the provisions of the model grant agreement, the Commission may carry out audits up to five years after the final payment of a project and make the relevant financial adjustments.

The corrections proposed by the Commission do not result from the application of new interpretations, but from the audit of cost statements submitted by beneficiaries. In certain cases, the auditors have found accounting practices which

required legal guidance to decide as of the eligibility of costs. These were newly confronted issues; the required interpretations did not alter prior decisions or practices.

The coverage of expenditure by ex-post audits has continued to increase and the research DGs achieved the targeted number of audits for the year. The number of completed audits increased from 1 090 at the end of 2008 to 1 911 at the end of 2009.

The Commission considerably increased the amount of ineligible costs recovered during 2009. Nevertheless, additional efforts will be undertaken in order to improve the timely implementation of audit results. The Commission adopted on 15 December 2009 a Communication on the simplification of recovery process (SEC(2009)1720). The simplification introduced provides the possibility to resort to a flat rate to determine the outstanding debts and considers certain charges related to personnel (direct taxes and social charges) as eligible.

Concerning the acceptance of the certificates on methodology, at the end of May 2010, 25 beneficiaries had received ex-ante certification of their costing methodologies. In its Communication on simplification (COM(2010)187, dated 29.4.2010), the Commission proposes to take into account any average personnel cost methodology applied as usual accounting practices of the beneficiaries, including a cost centre based approach, as long as they are based on actual personnel costs registered in the accounts and any double funding of costs under other cost categories is excluded.

As regards coordination between the Research DGs, the Commission has already set up tools and procedures ensuring an effective coordination in particular as regards the follow-up of audit results. The audit reports' findings (issued either by the Commission services or by the Court of Auditors) are followed up by each DG. Their implementation from the audit report till the offsetting in the next payment to the same beneficiary (or till their recovery through a recovery order) is constantly monitored and reported.

Moreover, in case the beneficiary is re-selected for audit, the respective external auditors prepare the audit taking into account the results of previous audit reports. The research family DGs have regular meetings on these issues co-ordinating questions of eligibility. A Wiki site where audit reports from all DG's of the Research family are up-loaded has been established to exchange information on individual audit results.

Finally and further to the observations from the Court and the past requests from the Parliament and the Council the Commission has taken remedial action to improve the quality of the audit certificates in FP7. FP7 audit certification is based on "agreed upon procedures", which require the certifying auditor to perform pre-defined procedures and report on that basis factual findings. This approach should lead to a reduction in errors of interpretation of the eligibility rules by the auditors.

82. (European Parliament, §§ 166-167) - The European Parliament is concerned that the current regulation of the existing Framework Programme does not correspond to the

needs of a modern research environment and believes that further modernisation and simplification are essential for a new Framework Programme;

Considers that simplification of the calculation rules for claimed costs is necessary in order to improve the situation, and invites the Commission to continue its efforts to devise the most easily applicable rules for beneficiaries of the programmes; asks for a clear definition of the necessary criteria for assessing whether beneficiaries' costing methodologies comply with the regulatory requirements;

Commission's response:

The Commission acknowledges that despite the simplifications achieved already under the 7th Framework Programme, there is a need for further simplification of the regulatory framework governing the implementation of EU research, with the goal of assuring the attractiveness of the programmes for the most excellent researchers worldwide and for the most innovative enterprises, including SMEs.

In this context, a Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on simplifying the implementation of the Research Framework Programmes has been adopted on 29 April 2010 (COM(2010)0187).

Moreover, on 28 May 2010 the Commission adopted its proposal for a revision of the Financial Regulation and a Communication on the level of tolerable risk of error in the policy areas of research, energy and transport as well as rural development.

The messages of the Commission Communication on Simplification are the following:

- This is the right time for an inter-institutional debate on simplification. Research and innovation are at the core of the Commission's Europe 2020 initiative. The European plan for research and innovation and the Innovation Union flagship initiative will require clarity of objectives and instruments, consistency and stability of rules and lightness and speed of administrative procedures and processes.

- Simplification is closely linked to the general accountability parameters and to the level of tolerable risk of error. The Commission agrees with the Parliament and the Court of Auditors that in the long run a simplified set of rules would lead to a "natural" reduction of the error rates. However, in the interim period before such profound changes take effect, a research-specific level of tolerable risk of error would permit an adjustment of the control strategy that has exacerbated the perceived complexity of grant management by the beneficiaries.

- Simplification of EU research and innovation funding requires a re-balancing between trust and control and between risk avoidance and risk-taking. The Commission cannot act alone. Full commitment and political support of the other EU institutions is necessary.

- The Communication does not present legislative proposals but options for opening a debate.

83. (*European Parliament, §§ 173-175*) - The European Parliament welcomes the achievement of 99,26 % of the implementation of the LIFE+ operational budget; notes that 196 projects were selected; notes that 52 % of funding granted was awarded to 'nature and biodiversity' projects; considers, however, that there is still room for improvement in the Commission's management so as to ensure the sustainability of co-financed projects;

Notes in that regard that improvements could be achieved by ensuring that supporting measures are already in place when calls for proposals are launched, by further improving the dissemination of knowledge generated by LIFE projects and by strengthening the systematic follow-up of projects after their closure;

Calls on the Commission to develop further assistance and specific training for applicants and user-friendly guidelines; stresses that immediate attention should be given to those programme parts where the level of implementation has become low and to act accordingly.

Commission's response:

The Commission is currently addressing the issues of sustainability, knowledge dissemination and project follow-up. Increased attention is being paid to the programme strands with lower implementation level, inter alia by clarifying the application guidelines and providing concrete examples in them.

84. (*European Parliament, § 176*) - The European Parliament underlines the importance of providing further and focused assistance to applicants engaged in implementing projects under the public health programme, in order to avoid unreasonable cost claims and incomplete financial reports, which result in lengthy procedures; additionally, considers that calls for tenders must be clear and user-friendly, in order to avoid project applications which are clearly not eligible for funding due to their size and associated high costs or which are of poor quality.

Commission's response:

Efforts to improve understanding of Call for proposals have been pursued with EAHC since its creation. Results of 2010 Call for proposals show an improved satisfaction rate of applicants.

85. (*European Parliament, § 179*) - The European Parliament regrets that the annual activity reports of the Commission Directorates-General and Services are available on-line in only one language; urges the Commission to improve the situation as regards the coming year's reports.

Commission's response:

The Synthesis Report is already translated into all official languages. The presentation of the Annual Activity Reports of all Commission services, annexed to the Synthesis Report, in all official languages would, however, not be cost-effective. The translation of those management tools in all EU official languages would substantially increase the administrative costs of the Commission.

86. (*European Parliament, § 181*) - The European Parliament deplores the fact that the frequency of physical checks done by Member States on imports remains very low, despite the frequent recommendations of the Court of Auditors and the fact that customs duties represent a considerable amount of the total revenue for the 2008 budget; consequently, calls on the Commission to ask Member States to find an appropriate balance between physical checks at import and the post-clearance audits of operators.

Commission's response:

The Commission is taking the requested action.

1) The setting-up of adequate levels of physical checks and post-clearance audits of operators at import should be based upon appropriate risk assessment of the products and/or economic operators in question. The appropriate control methods are thus closely connected to the identified types of risks. In practice the Commission encourages the Member States to use appropriate risk analysis methods and controls through the legally binding exchange of risk related information via the electronic Community Risk Management System and is monitoring periodically the use of such information by the Member States. In addition the Commission in July 2009 initiated a project to study and assess the degree of convergence of the Member States' customs controls and control methods and make recommendations as appropriate.

2) The Commission considers that these risk-based checks should be supplemented by some randomly selected checks. It has already expressed this view in its replies both to the Court of Auditors, concerning the simplified procedures audit, and to Member States by a variety of means including own resources inspections.

3) When drafting the modernised Customs Code Implementing Provisions on simplified procedures and centralised clearance and relevant guidelines (2009-2011) special attention is given to the need for:

- performance of physical checks of the goods, both for fiscal and safety/security purposes

- improvement of pre/post audit controls with regard to simplified procedures and centralised clearance.

87. (*European Parliament, §§ 188-191 & 195*) - The European Parliament is concerned that, for the second consecutive year, there has been a low uptake of payment appropriations for transport safety (79 %); notes that the uptake of payment appropriations for the Marco Polo II programme was particularly low (40 %) and that only 67 % of payments for the optimisation of transport systems was taken up; recalls that, in all these cases, the amount in the 2008 budget was the one proposed in the Commission's preliminary draft budget (PDB);

Regrets the exceptionally low take-up rate of payment appropriations for passenger rights (27 %); notes that the payments undertaken represent only 55 % of the amount proposed by the Commission in its PDB; underlines that investing in, inter alia,

information to passengers on their rights is of high importance for the effective application of the rules;

Insists that the take-up rate of payment appropriations for the GALILEO programme (50 %) is inadequate, given its importance for the sustainable logistics and transport sectors;

Calls on the Commission to provide a detailed explanation of this underspending and to give an account of the measures it will take to ensure that the problem does not recur in future;

Repeats its demand to the Commission to forward to Parliament and to the Council, each year, a more detailed description of expenditure against each budget line compared with the comments/remarks made in respect of the line;

Commission's response:

The underexecution for transport safety and optimisation of transport systems in 2008 was mainly because implementation reports were received later than expected. For passenger rights, the underexecution is because an information campaign to increase public awareness on passenger rights in airports was postponed from 2008 to 2009 due to a change of priorities. The Commission continues to monitor implementation forecasts in order to ensure that credit requests are realistic. For Marco Polo II, the underexecution was mainly because no financial guarantees were received on time and because there were lower than expected payments for previous calls. This situation has now been resolved and the budget execution is in line with expectations.

For Galileo, the Commission has also taken the necessary measures. The lower take-up rate experienced in 2008 stemmed from the fact that the legal basis was only adopted in June 2008 and the resulting delegation agreement with the European Space Agency could only be signed in December 2008. It was thus not possible to fully execute the budget finally adopted, which was 200% higher than requested by the Commission; nevertheless, 150% of the Commission's initial request was executed. In 2009, the adopted budget was fully executed, even though it was more than 200% of the Commission's initial request.

The Commission already sends weekly budgetary implementation tables to the EP as well as regular implementation overviews in the context of the Budget forecast alert (a spring note in June showing that the plan up to the year end is realistic, an autumn note in October confirming that the necessary adjustments have been made and the further note in February N+1 describing the outcome of the financial year along with lessons learnt). It also sends additional information to the EP should the need arise, for example in 2009 it sent at the end of August, at Parliament's request, an additional note on the reasons for the under-implementation of the budget.

88. (European Parliament, § 194) - The European Parliament regrets the lack of data on actions in the field of tourism and welcomes the new legal and economic framework provided by the Lisbon Treaty, which allows the development of actions at the

European Union level (social and cultural tourism, destinations of excellence, etc.) in this sector supported in a multiannual budgetary framework;

Commission's response:

The Commission also welcomes the new legal and economic framework provided by the Lisbon Treaty which will allow a more comprehensive set of actions, data and reports on European Tourism. Taking full account of this new institutional framework, the European Commission adopted on 30th June the communication "Europe, the world's No 1 tourist destination - a new political framework for tourism in Europe - COM(2010) 352/final" which outlines 21 actions grouped under four priorities:

(1) stimulating competitiveness in the European tourism sector;

(2) promoting the development of sustainable, responsible and high-quality tourism;

(3) consolidating the image and profile of Europe as a collection of sustainable and high quality destinations;

(4) maximising the potential of EU financial policies and instruments for developing tourism.

A comprehensive action plan will be discussed with the Member States and with public and private European tourism stakeholders by the end of the year. The planned actions will mostly complement the initiatives already being carried out in the tourism field at EU level and provide added-value to the various tourism-related measures undertaken by Member States at national/regional level.

89. (European Parliament, §§ 196-198, 201) - In the area of culture and education, the European Parliament welcomes the Commission's efforts to achieve greater transparency and customer-friendliness, and supports further steps in that direction; requests, for the upcoming mid-term reviews of the multiannual programmes, that an in-depth assessment be carried out of implementation and management structures; recommends the inclusion of elements to measure client satisfaction in relation to national agencies; recalls in this context that almost 70 % of the funds of the multiannual programmes are implemented through national agencies;

Supports the guidance provided by the Commission to national authorities as regards the supervision of the work of national agencies with a view to further facilitating programme management in Member States; encourages the Commission to continue the active monitoring of programme management by national agencies, in order to avoid interruptions in the implementation of parts of the multiannual programmes; supports the strict line taken by the Commission of suspending payments to national agencies in cases where management weaknesses are detected; calls on all parties involved to avoid the negative consequences for beneficiaries caused by such failures; calls on the Commission, in the interests of transparency and cost control, to separate the organisational and staff costs of national agencies from funds to be paid in grants;

Draws attention to the dangers of control measures which are disproportionate to the budgets administered; considers that the relevant control requirements must not under any circumstances result in pressure to make increases in scale which will raise the threshold for participants;

Notes the significant reduction of errors related to payments; considers, however, that further improvements are needed for interim and final payments; calls on the Commission to supervise more closely the annual ex-post declaration process in respect of the Lifelong Learning Programme, by means of monitoring visits and direct verification.

Commission's response:

As regards client satisfaction, for the interim evaluation of the Lifelong Learning Programme (LLP), selective surveys in various countries will be carried out which are proxy to "customer satisfaction".

The guidelines for the mid-term evaluation of the Youth in Action Programme also include questions relating to client satisfaction.

Moreover the Commission has launched, beginning 2010, a survey among more than 4 500 participants (young people, youth workers, youth NGOs) in the Programme, with a view to measure the impact of this participation on their employability and their active citizenship. The results of this survey are available at: http://ec.europa.eu/youth/focus/focus1757_en.htm

As regards "organisational and staff costs of National Agencies" and "funds to be paid in grants", although they are covered by a single agreement between the Commission and a National Agency, these two sources of funding are separated:

- in their presentation: the annual draft budget submitted to the Budgetary Authority indicates separately the funds allocated to the "management fee" aimed at cofunding the operating costs of the National Agencies; they are also separated in the presentation of the annual budgetary outturn;

- in their management: the National Agencies are not entitled to transfer any funds from one of these two parts of their agreement to the other.

The only holistic approach of these two sources of funding relates to their being part of a single agreement. This corresponds to the wish of speeding up the transfer of funds to the National Agencies, so that they can as soon as possible implement their annual work programme and make payments to the final beneficiaries of the programmes concerned.

As regards the cost of controls, the Commission considers DG EAC's control measures as currently proportionate to the budgets administered because of:

- the single audit approach which avoids overlaps and duplication of controls and thus limits the cost and administrative burden for beneficiaries, National Agencies and Commission;

- extensive use of lump sums wherever possible (in particular for mobility and other small grants) with limited control effort for beneficiaries and National Agencies;

- positive feedback from National Agencies witnessing on the decreased administrative burden on beneficiaries and on National Agencies.

As regards errors in interim and final payments, the most recent results of ADEC audits confirm very good results in centralised indirect management.

For centralised direct management, an analysis of results of ex-post controls has been performed and an action plan has been established.

As regards closer supervision by monitoring visits, this has been implemented in the audit plan 2010-2011.

90. *(European Parliament, § 199) - The European Parliament calls on the Commission, in the light of the revision of the Financial Regulation, to work towards a new arrangement under which beneficiaries can be allowed to acquire more assets without having to fear that this will result in a reduction in the support allocated to them on the basis of EU cofinancing.*

Commission's response:

The Commission refers to its Proposal for a regulation of the Parliament and the Council on the Financial Regulation applicable to the general budget of the EU (COM(2010) 260 final).

To comply with the principle of co-financing, the beneficiary has to assure either third party financing, revenue from the action (difficult to prove in advance) or self-financing. Often the beneficiary has to rely on his own co-financing. The new proposal introduces the rule that the beneficiary may substitute his own funds if :

- the beneficiary is able to receive additional third party funding during the course of an action or

- income is generated from the project.

In this way, additional revenue shall not be treated as profit (and shall thus not be recovered).

If profit is still generated, recovery shall be made on a pro-rata basis of the grant given. This means that if the project receives co-financing of 60% from the EU then 60% of the profits will revert to the EU instead of 100% as today (always up to the limit of the amount of the grant).

91. *(European Parliament, § 200) - The European Parliament calls on the Commission, together with the national agencies, to seek a reasonable and flexible solution to the problem of interest on unspent decentralised budgets, on which withholding tax is paid in the Member States but which national agencies must repay in full.*

Commission's response:

This issue has been resolved for the vast majority of National Agencies either because a withholding tax does not apply or because the NAs have obtained an exemption from their tax authorities or because NAs can accommodate these amounts under their operating budget. DG EAC continues to monitor the situation and to assist the NAs concerned in order to find a satisfactory solution for the few remaining cases.

92. (European Parliament, § 202) - The European Parliament calls on the Commission to review the bureaucratic obstacles impeding the 'Youth in Action' Programme; calls especially for the measures under Actions 1.1 and 1.3 of the Programme to be made available as low-threshold services; emphasises that selection criteria must be transparent and comprehensible for applicants; calls on the Commission to consider the introduction of a new mode of allocation of funding under the 'Youth in Action' Programme so as to make funding available to small-scale and youth projects which are unable in the current situation to raise their own finance.

Commission's response:

As of 2010, following consultation of the National Agencies, the Commission has further simplified the access to the Action 1.1 of the Youth in Action Programme, by making it possible for one single promoter to submit a grant request for an entire bilateral youth exchange; moreover the lump sums and scales of unit costs applicable to the Programme have been simplified and streamlined; further clarification has also been introduced in the 2010 Programme Guide, available at: http://ec.europa.eu/youth/youth-in-action-programme/doc/how_to_participate/programme_guide_10/guide_en.pdf

93. (European Parliament, §§ 203-204) - The European Parliament calls on the Directorate-General for Freedom, Security and Justice to try to continue maximising the level of implementation of commitments and payments in 2009;

Regrets that, within the framework of the External Borders Fund, the first pre-financing payments to Member States could not be made by the Commission until the final months of 2008, as the implementing rules were only adopted on 5 March 2008 and some Member States submitted the initial versions of Descriptions of Management and Control Systems as well as of the programming documents with substantial delays or insufficient quality.

Commission's response:

The requested action has been taken. The Commission closely monitors the budget implementation and works for the maximisation of the implementation rate in the area of Freedom, Security and Justice, in the respect of sound financial management of budget appropriations. At the end of 2009, the implementation rate for commitments was 98% and 90% for payments. In 2009, the Commission recovered the implementation delay regarding the Solidarity Funds encountered in 2007 and 2008, due to the late adoption of the legal base. All the commitments appropriations have been committed and two reinforcements for a total of 110.9M€

in payment appropriations were requested and received from the Budgetary Authority in order to meet payment requests from the Member States.

94. (European Parliament, § 209) - As regards the second-generation Schengen Information System (SIS II), the European Parliament stresses that the Commission should comply with its reporting obligations in a more timely and transparent manner.

Commission's response:

The Commission is taking the requested action. The Commission very regularly informs the EP on the state of play of the SIS II projects:

a) Twice a year, the Commission transmits a progress report on SIS II to the EP and the Council which describes the latest technical developments together with a detailed financial state of play of the project. Work on the drafting of this report commences immediately at the end of each reporting period. As this is a formal report, approved by the Commission, it is subject to standard internal procedures for consultation of other Commission services and adoption of the document, which in some cases take several months. In addition to the twice-yearly reports, the Commission has also addressed other important reports to the Parliament, in particular the comparison report between SIS I+RE and SIS II in August 2009.

b) Furthermore, the Commissioner regularly informs the Chairman of the LIBE on any SIS II-related outcome of JHA Councils, and has on several occasions addressed SIS II matters in EP plenary session. Additional updates on the general status of SIS II have also been provided in the framework of the discussions in LIBE concerning the amendments to the migration proposals and the proposal for the establishment of the IT Agency. Similarly, information on the status of the project has also been provided in the framework of discussions in COBU on budgetary matters and on the Agency proposal.

c) The Commission has responded to 12 written and oral Parliamentary Questions on SIS II since the beginning of 2008. A number of letters have also been addressed to the Parliament providing further information on the project, in particular, in follow up the resolution of EP plenary from 19 October.

95. (European Parliament, §§ 212-215) - The European Parliament reminds the Commission that under Article 8 of the Treaty on the Functioning of the European Union the promotion of equality between men and women is a fundamental principle of the European Union and should be respected in all European Union activities, and therefore should also be traceable in the European Union budget discharge:

Regrets that gender budgeting has still not been implemented; therefore reiterates its demand to the Commission to take further steps towards ensuring that gender mainstreaming becomes a reality in budgetary planning;

Welcomes the feasibility study prepared by the Commission on gender budgeting, and calls on all partners in the European Union budgetary process to take the study into consideration when preparing, implementing or auditing the budget;

Calls on the Commission to make further efforts to develop gender-specific data that can be included in the budget discharge reports, since the very limited data available so far do not give an appropriate overview of the situation.

Commission's response:

The Commission has taken the requested action.

The Roadmap for equality between women and men comes to an end in 2010. The Commission will present a Strategy for equality between women and men (2010-2015) in September 2010.

The yearly EU budget mostly reflects the implementation of the programmes that have already been decided. To succeed with gender equality, the necessary objectives and requirements must therefore be incorporated in the relevant EU programmes. The right moment to ensure this is when preparing impact assessments of new legislative proposals. Evaluation of the programmes is another moment for assessing the results achieved in this field.

The Commission's new impact assessment guidelines (2009) include guidance for assessing social impacts that will help reinforcing the analysis of gender issues in impact assessments.

As far as the annual budget is concerned, the Commission has already taken appropriate measures ensuring reporting on gender issues, when available, by exploiting existing tools, structures and procedures. In the context of preparing the draft budget (PDB 2010 and DB 2011), the DGs concerned have been instructed to integrate the gender dimension where appropriate into the activity statements justifying the budget proposal. This issue has further been addressed during internal training.

Also, the Commission's Interservice Group on gender equality has been informed about the new instructions of the budgetary circular and the members were invited to raise awareness inside their DGs on the possibility to insert gender aspects in activity statements.

So far, the information presented in the activity statements takes the form of "specific objectives" or "result indicators". Some factors might limit the progress in quality of the information provided on gender dimension in the activity statements. One issue to mention is: "availability of data disaggregated by gender". This issue has also been recognised by the gender specialists as a major problem. Moreover, if the legal act defining the programme does not integrate any specific objective in terms of gender, it is more difficult to follow the implementation of the gender dimension.

However, the Commission notes in its assessment of the Roadmap 2006-2010 presented in the background document accompanying the Strategy for Equality between Women and Men 2010-2015, that the development and the dissemination of EU-wide comparable and reliable gender statistics and indicators have contributed to better monitoring and assessment of progress in the EU. This should contribute to improve the reporting to the budgetary authority on the impact of EU

policies on gender equality. The improved gender specific data could yet again be useful for the budget discharge.

This positive development confirms that the current practice in relation to the preparation of the EU budget which has been in place since 2009 (budget procedure 2010) should be maintained. It would obviously deliver clearer results if the gender related issues are also better integrated in the next generation of programmes themselves.

External actions

96. (*European Parliament, §§ 218-220*) - The European Parliament notes from experience in 2007 and in 2008 that it is essential to ensure that transparency in this policy area continues to improve in terms of expenditure, particularly in view of the setting-up of the European External Action Service (EEAS);

Calls on Commission to submit, before the end of the 2008 discharge procedure, concrete, detailed and all-encompassing plans for the staffing, organisational and control structure of the EEAS, showing in particular the increase in and allocation of staff, the envisaged budgetary implications and changes to the Statute and the Financial Regulation, and to enter immediately into negotiations with the budgetary authority on the basis of the proposals submitted; rejects negotiations based on vague framework agreements;

Is strongly of the view that Parliament's right of scrutiny as discharge authority should in no way diminish with the setting-up of the EEAS; expects the Commission to bear this in mind when proposing the review of the current Financial Regulation; stresses that this latter revision should be part of the normal triennial revision; rejects the idea of a fast-track procedure as envisaged by the Commission.

Commission's response:

See Article 1 of the Proposal for a Regulation of the Parliament and the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the EU budget, as regards the European external action service (COM (2010) 85 final). In budgetary terms, the EEAS will be treated as an institution in the sense of Article 1 of the Financial Regulation so that it will have budgetary autonomy, i.e. its own section in the EU budget. It will implement its own administrative expenditure (like all other institutions) and will therefore receive discharge from the European Parliament for it. The European Parliament will therefore exercise its full budgetary and control powers towards the EEAS.

97. (*European Parliament, §§ 221-222*) - Notes with great concern that the Court's overall assessment that the supervisory and control systems of all DGs concerned (AIDCO, RELEX, ELARG and ECHO) are still only partially effective, as well as the Court's conclusion that payments in this policy group were affected by material error; points out that, as previously, errors are to be found mainly at delegation and beneficiary level;

Welcomes DG AIDCO's improvements in its supervisory and control systems; however, encourages EuropeAid to make the necessary improvements to its ex-ante checks, to have recourse to external audits and to remedy the inconsistencies and shortcomings in its Annual Audit Plan, in the CRIS audit module and in the overall monitoring of audit results.

Commission's response:

EuropeAid will continue to improve its supervisory and control systems with regard to the EP requests and the Court recommendations, including improvements in its

audit strategy. EuropeAid has already implemented significant improvements to the audit methodology and IT tools (CRIS) and welcomes the recognition of the Court of Auditors on the substantial progress made in particular in relation to audit planning for 2010. The Commission is presently studying the implementation of a Tolerable risk of error for external aid and will present a proposal in the beginning of 2011.

DG ECHO is pleased to see that the Court recognises that DG ECHO supervisory and control systems are improving and will go on working on the strengthening of its supervisory and control systems taking into account the recommendations of the various control bodies (e.g. ECA, IAS).

98. *(European Parliament, § 223) - Urges DG RELEX to strengthen its ex-post controls and to remedy the weaknesses revealed by the Court in respect of its financial management and supervision of projects; welcomes the recognition by DG RELEX of the need to pay more attention to this problem.*

Commission's response:

The Commission already took measures in 2009 to address the recommendations of the Court of Auditors regarding ex-post controls in DG Relex and the Court has recognised progress made in 2009. These efforts are continuing in 2010.

99. *(European Parliament, § 224) - Draws attention to the substantial number of possible fraud cases (102 cases) under investigation by OLAF in this policy group – the second highest number, just behind internal investigations; welcomes the focus by OLAF on External Aid, in investigative and preventive work and intensified cooperation activities.*

Commission's response:

The Commission welcomes the Parliament's support for its efforts in focusing on external aid cases. It should also be borne in mind that some external investigations conducted by OLAF take place in difficult circumstances in view of the remoteness of the country concerned, the specific complexity of the modus operandi, the level of security and the absence of an identifiable administrative counterpart to OLAF.

The Commission intends to continue its work in intensifying cooperation with the authorities in regions which are major recipients of EU funds. Following the success of its 4 conferences jointly organised by EuropeAid and OLAF in Rabat, Cape Town, Kampala and Cairo, it will now turn its attention to Latin America with the organisation of a conference in Panama in October 2010.

100. *(European Parliament, §§ 225 & 227) - Deplores the delays in achieving transparency over EU funds administered by international organisations and especially by the UN (in "joint management"); deplores the difficulties the Court has had to face, despite the Commission's repeated calls for observance of the Financial and Administrative Framework Agreement (FAFA), in obtaining audit reports and supporting documents from the UN; recognises and welcomes the progress made, in*

particular the conclusion of an agreement on terms of reference for verification missions in April 2009 and the signature of the joint guidelines on reporting;

Notes the ongoing trend of increasing contributions to the multi-donor funds and in particular to the UN, in line with the principles of good donor cooperation; however, expresses its dissatisfaction concerning the persisting problems faced by the Court of Auditors in accessing the financial documents emanating from the UN agencies; welcomes the steps taken by the Commission to facilitate the auditing processes of the Court of Auditors and calls for further measures in order to fully safeguard the financial interests of the European Union and to increase the transparency of the process including, if necessary, modifications to the FAFA.

Commission's response:

The Commission fully supports the Court's requests to obtain necessary supporting evidence from UN organisations, and this principle is clearly stipulated in the FAFA. As soon as the Court informs it of difficulties encountered in this respect, the Commission does its best to ensure that its counterparts at the UN find a solution, and that the Court receives the information it needs. The adoption, in April 2009, of standard terms of reference for verification missions has improved the cooperation between UN agencies and the EU, and has helped to ensure that the UN co-operates more efficiently with the Court. The Commission continues to work to improve the system, and it agreed with the UN in April 2010 that additional information, including extracts from internal and external audit reports, could be made available on request.

101. (European Parliament, § 226) - Appreciates that UN organisations often possess specific experience and expertise not readily found elsewhere; none the less, expresses concern that the Commission does not convincingly demonstrate beforehand whether the choice of a UN organisation is in fact more efficient and effective than other ways of delivering aid; calls on the Commission to implement a more transparent and objective process for selecting aid implementation channels

Commission's response:

The UN is often selected for reasons such as its unique mandate, expertise, capacity or in-country presence and alternatives may not always be available, in full compliance with the Financial Regulation and the transparency. The selection process has been further enhanced since June 2009, when instructions were issued to Delegations and operational services to improve the way decisions to channel funds through the UN are documented and to ensure that alternatives have been considered, in line with the EP requests and the Court recommendations. The instructions to Delegations also ensure that efficiency and effectiveness considerations are considered when selecting a UN partner.

DG ECHO provides funding on a needs-based approach. Each UN funding proposal is scrutinised and assessed on its own merits on the basis of a detailed logical framework and compared to other proposals. In many cases, the UN is the only possible means to reach the beneficiaries.

102. (*European Parliament, § 228*) - Stresses in this context its deep frustration and dissatisfaction that the Commission has so far failed to act in order to create a truly European instrument for the implementation of crisis management, as it has been asked to do in previous discharge resolutions; once more insists that this should be done urgently, and calls on the new Commission to give itself the possibility of managing multi-donor trust funds itself in the forthcoming revision of the Financial Regulation.

Commission's response:

The European Commission, in the framework of the FR triennial revision, has proposed in art 164 FR that the European Commission can set up and manage Trust Funds for external actions, which would intervene in emergency, post-emergency crisis operations or for thematic actions, fully in line with EP requests.

103. (*European Parliament, § 230*) - Notes the Court's recommendation that clear strategic objectives and measurable performance indicators should be established in the strategy programming documents for the European Neighbourhood and Partnership Instrument; considers that similar steps should also be taken in relation to other external instruments, which continue to be very general in scope.

Commission's response:

The Commission considers that this request was implemented in the recent Mid Term review of ENPI programming documents.

In the Mid Term review of the ENPI Strategy Papers new indicative programmes were prepared for the period 2011-13. In drafting the new programmes particular attention was paid, as recommended by the Court, to improve the logical chain between General Objectives, Specific Objectives, Expected Results and Possible Indicators of Achievement. As a result the NIPs are now better structured, clearer on what assistance should achieve and can be more easily monitored. However when it comes to indicators, programming documents can only reasonably aspire at identifying "possible" indicators of achievement. These indicators will then need to be further defined and quantified in the project identification phase when a more direct correspondence can be established between the specific amount of resources allocated to a measure and the direct results it can achieve.

104. (*European Parliament, § 231*) - Suggests that the Commission draw up a study assessing the scope for making external policy budgets more flexible; considers that, in view of the budget surpluses which have arisen to date and the still growing needs in this field of policy, scope for greater flexibility should be provided for in advance, although not at the expense of proper budgeting and budgetary control.

Commission's response:

The Commission has identified the lack of flexibility in external policy budgets as one of the issues to be addressed. The events of the last years, such as the food prices crisis and the impact of the economic and financial crisis have all shown that the lack of flexibility of the budget limits the ability of the EU to respond quickly and comprehensively to major crises, unforeseen needs or new major

initiative. This issue will be taken on board in the on-going budget review and the preparation of the next multi-annual financial framework.

105. (*European Parliament, §§ 232-235, EDF §§ 6, 23-25*) - Deplores the finding by the Court's audit that budget support commitments were affected by a high level of non-quantifiable errors; insists that the Commission should assess these payments even more rigorously; notes with satisfaction in this context the review in February 2009 of the financial circuits for this type of payments;

Notes with satisfaction the improvement in the clarity and structure of the Commission's assessments of compliance with the requirements of the DCI Agreement (Financing instrument for development cooperation); however, deplores the fact that the Court has found frequent cases in which the Commission did not demonstrate in a structured and formalised manner that public finance management was sufficiently transparent, accountable and effective, or, at least, that a credible and relevant reform programme was in place;

Agrees with the Court that the Commission should pursue its efforts to support its decisions on the eligibility of budget support and to ensure that all future financing agreements provide a comprehensive and clear basis for the assessment of compliance with payment conditions; looks forward to receiving information on the outcome of the guidance review promised by the Commission for the end of 2009;

Calls on the Commission, as regards budget support, to bolster supervisory and control systems for ensuring the regularity of payments, to monitor more closely organisations implementing EU-funded projects, to carry out more effective audits, with rigorous follow-up, and to develop more results-oriented budget support guidelines.

Commission's response:

The Commission continues to focus on improving the clarity of its Financing Agreements in order to provide a clearer basis for assessing budget support eligibility. The Court already noted significant improvements in this respect for Financing Agreements. The Commission is seeking to further underpin the clarity of the assessment budget support eligibility by developing a more structured framework to be used in identifying objectives and tracking progress in Public Financial Management reform. Further to what stated before, the Commission is revising its Guidelines on Budgetary Support that are scheduled to be finalised by the end of 2010, and that take into account issues raised by stakeholders, including the Court and the European Parliament. Within the scope of this revision, particular attention is given to supervisory and control systems. In addition, the monitoring and annual reporting on the compliance with the eligibility criteria will be strengthened as well. Capacity building projects within the scope of budget support operations are under the same supervisory and control system as any other project, which includes audits.

106. (*European Parliament, § 236, EDF § 26*) - Urges the Commission to help partner countries develop parliamentary control and audit capacities, in particular when aid is provided via budget support, and invites the Commission to report regularly on progress achieved.

Commission's response:

In line with its policy to foster Country Ownership, the Commission encourages and supports efforts of partner countries to develop parliamentary control and audit capacities. Thus, the Commission has been and is supporting many capacity building initiatives in this area and will report on this within its annual reports on external assistance. A study on the support to parliaments in external development and cooperation programmes is currently being finalized and includes an assessment of EC support to Parliaments in the ACP region (covering 2000-2009) with a related database of projects, as well as a practical guide to parliamentary support for EU Delegation and HQ staff and a training module piloted in September 2010 in collaboration with the EP's Office for Promotion of Parliamentary Democracy (OPPD). The different results of the study are to be made public before the end of 2010. The Commission has in the meanwhile already shared preliminary results of the study with the EP and in particular its OPPD. The Commission will continue to report on its work in this field on a regular basis.

107. (European Parliament, § 237, EDF §§ 27-28) - Points out that its role as regards budget support is to hold the Commission accountable for the results of spending, and that budget support is an aid instrument which requires a paradigm shift in oversight behaviour, moving from control over inputs to the checking of results against indicators;

Repeats its request to the Commission to identify, with the utmost rigour, the countries or issues in budgetary support implementation where particular parliamentary attention could prove useful in improving donor accountability in addition to the special guidance on how to manage budget support operations in countries in a situation of fragility promised in the Commission's replies of 2 December 2009 to the Committee on Budgetary Control's written questions to Commissioner Karel De Gucht.

Commission's response:

New guidelines on budget support in fragile states have been made available since February 2010. One of the principles of budget support is the alignment to national systems. This implies the role of national parliaments in partner countries to oversee the national budgetary process including external donor budget support implementation (and/or other external donor interventions). Therefore, budget support implementation, particular parliamentary attention, proves useful in improving donor accountability. The strengthening of the role of partner parliaments and supreme audit institutions (SAIs) in the oversight of the national budgetary process is systematically encouraged by the Commission, in particular in fragile states, and is part of the policy dialogue with the partner countries. On the basis of country requests the Commission is in fact supporting Parliaments and SAIs in many budget support receiving countries within budget support operations and also under separate support programmes. In this context there is a leading partner in the INTOSAI (International Organisation of Supreme Audit Institutions)/Donor initiative to strengthen SAIs and the Commission has also

developed Guidelines for the working with Parliaments that will be publicly available in the third quarter of 2010.

108. (European Parliament, §§ 238-239, EDF §§ 31-32) - Reiterates its request that development aid in general and budget support in particular should be progressively linked to an ex-ante country disclosure statement, issued by the recipient country's government and signed by its finance minister, concerning selected issues that affect the governance and accountability structure of a beneficiary country;

Invites the new Commission to take the lead and to present this proposal to other international donors – in particular the World Bank – with a view to developing and implementing such an instrument in agreement with other donors; waits to be informed by the Commission about a possible timeframe for such negotiations.

Commission's response:

The Commission does not consider that a Country Disclosure Statement would provide significant added value to the existing wide range of governance and accountability assessments that are currently available and routinely used. The Commission notes that the Council also declined to adopt such an approach when this was suggested in the context of the Structural Funds. It would be difficult to persuade partners to adopt an approach that has been considered inappropriate for EU Member States. Besides it could be said that such a Disclosure Statement may become legally contradictory with the normal legal framework of Budget accountability, role of Legislative powers (Parliaments) and Supreme Audit Institutions in providing discharge and audit of public accounts.

109. (European Parliament, § 240) - Urges the Commission to define strategic objectives and adequate performance indicators that would allow an efficient impact assessment of EU actions.

Commission's response:

The Commission is defining strategic objectives through increased emphasis on the performance framework owned by partner countries. Having tested predefined indicators to undertake general impact assessments, the Commission arrived at the conclusion that this is not implementable. (In late 2006, DG AIDCO launched a pilot initiative to test a method based on a list of Aggregated Standard Indicators (ASI) in order to synthesize, in a quantitative way, the results of development programs in terms of output and outcome and increase the visibility of programs financed by the Commission. After one year of test phase, on the basis of the assessment of 145 projects worth of € 2.8 billions, it appears that the exercise of the ASI is not conclusive and does not lead to the expected effects in terms of better visibility of results. The difficulties were due to the complexity of the ASI system which does not integrate itself, or hardly, into the national monitoring and evaluation system of the partner country leading to a lack of appropriate statistics for calculating ASI). In order to improve guidance and policy achievements the Commission does intend to strengthen the dialogue with partner countries on results and impacts and establish a relevant performance assessment framework for the reforms initiated by partner countries. This framework will be matched to the particularities and specific objectives of each partner country. This dialogue

will enable the Commission to better discuss the performance and results for each country using the methodology described in the new guide 'Policy Steering – The Role and Use of Performance Measurement Indicators.'

The launch of the guide in the second half of 2010 will be accompanied by a series of training initiatives using case studies. The output from this work will be a strengthened performance framework owned by the partner country and usable for the Commission's own assessment of individual EU actions.

110. (European Parliament, § 241, EDF § 40) - Invites the Commission to place greater emphasis on women's health in developing countries in general, and improvements in maternal health in particular, as this is the area in which the MDG targets are furthest from being met.

Commission's response:

The Commission has reinforced its commitment to maternal and child health through reaffirming its support to gender equality, the rights and the health of the child and the rights and the health of women and girls in the various international fora. The contribution of the EU to maternal and child health is first and foremost through general budget, sector budget and programme support at country level for health systems strengthening and universal access to basic health care, including universal access to reproductive health.

It is also important to recognize the impact of the Global fund to fight AIDS, TB and malaria (GFATM), and of the Global Alliance for Vaccines and Immunisation (GAVI) on maternal and child health. The European Commission is a founding member and one of the main contributors to the GFATM, and active supporter of GAVI, supporting their move towards more aligned and harmonized support to countries, including through Health system strengthening activities.

The Commission has been very active to help ensure that the G8 Flagship Initiative on Maternal Health is fully in line with the implementation of the ICPD Programme of Action and the MDG targets. The Communication on a twelve-point EU action plan in support of the MDGs includes the re-allocation of funding to countries most off-track.

111. (European Parliament, §§ 242-243) - Welcomes progress as regards division of labour between donors, as well as other aid effectiveness principles; feels, however, that the Commission should step up its efforts to coordinate Member States' activities in this respect;

Stresses the need to increase aid effectiveness and to reduce aid fragmentation; considers that the great number of projects managed by the Commission and Member States (some 40 000 projects) should be reduced by giving the priority to more effective programmes and better coordination with EU donors through a clear focus on a more limited number of priority intervention areas for each beneficiary country, whilst not excluding small but effective NGOs working in the field.

Commission's response:

Some progress has been made in the field of Division of Labour, especially in the countries where the so-called EU-Fast Track Initiative on Complementarity and Division of Labour is being implemented. The Commission has stepped up significantly its coordinating efforts, but is in many cases held back by the reluctance of Member States to participate fully, especially when it comes to sector concentration. Two issues will have to be looked at more closely in the future, the first being coordinating the entrance of new Member States in partner countries and sectors, the second being monitoring Member States living up to the agreements made in Council.

In partner countries where the national government has showed a higher level of ownership and assumed a prominent role in leading the (sector) dialogue with donors, more progress has been made.

112. (European Parliament, § 244) - Notes that 63 % of funds committed so far under the 'Food Facility' have been channelled through international organisations, and recalls that Regulation(EC) No 1337/2008 stipulates that, as regards implementation, the Commission is obliged to maintain an "appropriate balance" between international organisations and "other eligible entities";

Commission's response:

The "Food Facility" balance was carefully justified and approved by the Regulation Committee and by the Parliament when they examined the overall plan of the food facility.

113. (European Parliament, § 245) - Calls once again for greater involvement of parliaments and consultation of civil society in partner countries when drawing up and reviewing DCI Country Strategy Papers.

Commission's response:

The Commission agrees with the principle that parliament and civil society organizations must be better involved in the elaboration and revision of CSPs. However, the level of involvement differs according to the various legal bases considered.

In the framework of the Cotonou Agreement, the need for consultations is agreed and legally binding both for the Commission and Partner States. For DCI countries, the Commission applies an EU regulation: EU efforts to consult effectively civil society organizations should be accompanied by the willingness of national authorities to do so.

In the majority of DCI countries, EU Delegations are consulting parliaments and civil society, taking into consideration the specific (and sometimes rather difficult) context in which they are operating. This implies different degrees of involvement.

114. (European Parliament, § 246, EDF § 40) - Urges the Commission to ensure better visibility for EU-funded activities overseas.

Commission's response:

The requested action has been implemented. A new communication and visibility manual has been adopted (covering also UN agencies since 2008 and World Bank since 2009). This promotes mainstreaming of communication and visibility activities in the project cycle resulting in visibility at project level. Efforts continue to ensure compliance and to monitor quality of the communication activities implemented.

115. (European Parliament, §§ 247-248) - As regards Non-governmental organisations (NGOs), notes the written comments from Commissioners Maroš Šefčovič and Algirdas Šemeta dated 8 March 2010 including detailed information about financing of NGO-type organisations by the Commission and the Executive Agencies;

Invites the Commission to establish a public register of NGO-type bodies funded by Commission services, to harmonise its various databases on beneficiaries receiving funds from the EU budget or the European Development Fund, to indicate in its accounting system the 'not-for-profit' nature of the beneficiary entities and to look into the possibility of expanding the register of interest representatives by including information about their funding received from the EU.

Commission's response:

The Commission has initiated a phased project aiming to establish the classification "for-profit" versus "not-for-profit" in the Commission's central data base of legal entities. The first phase concentrates on legal entities in the Member States, which accounts for the vast majority of the registered entities. The Commission targets the implementation of this objective as from 2011 onwards.

In the second phase, reconciliation procedures between the centrally managed legal entity data base and the Register of Interest Representatives -the latter being based on voluntary self-registration- will be set up by mid-2011. In addition, the feasibility will be assessed to broaden the scope to legal entities in non-Member States as from 2012.

116. (European Parliament, § 249) - The European Parliament remains concerned about the fundamental weaknesses concerning potential irregularities in the management of Phare funds by two implementing agencies in Bulgaria, even though the contracting for Phare funds has been terminated; notes the commitment on the part of the current authorities to investigate the irregularities and to reform the management of EU funding.

Commission's response:

During 2009 and following corrective actions from the Bulgarian authorities, DG ELARG lifted the suspension of payments to Bulgaria. However, the implementation of the post-accession funds in Bulgaria will continue to receive the special attention needed until all programmes are closed.

117. (European Parliament, § 250) - Notes that decommissioning work at the Kozloduy nuclear power station (Kozloduy blocks 1 to 4) is to be completed by 19 October

2035; notes a lack of transparency in the origin of the funds from various Directorates-General at the Commission; requests the Court of Auditors to scrutinise the funds used there.

Commission's response:

In the context of the Community financial support for the Kozloduy Programme, the decommissioning funds are only implemented by DG ENER. This is done in a clear and transparent way based on dedicated procedures and through joint management with the EBRD.

118. (*European Parliament, § 251*) - Deplores the absence of substantial progress in addressing the weaknesses identified (in particular in relation to the National Road Infrastructure Fund); consequently, supports the Commission's prudent approach and its undertaking to closely monitor the situation, to follow up on the findings and to provide advice and assistance to the Bulgarian authorities with a view to addressing the weaknesses identified; urges the Commission to apply the utmost vigilance and rigour when approving the compliance assessment reports submitted for the operational programmes proposed by the Bulgarian authorities and before starting to disburse the intermediate payments in respect of the 2007-2013 programming period; notes the steps taken by Bulgaria; welcomes the positive outcome of the Commission's compliance assessment procedures for all operational programmes, whilst stressing that effective control and guidance from the Commission should be further applied.

Commission's response:

The requested action has been taken. The Commission has examined rigorously the system descriptions and compliance assessment reports for Bulgaria, in order to make sure, before interim payments begin to flow, that effective management and control systems have been set up to manage the funds. The programmes for the 2007-2013 period contain a significant technical assistance component to increase administrative capacity. The Commission will continue to use throughout the period all the means at its disposal provided by the regulations to ensure proper management of these funds.

In the context of the 2007-2013 programming period, where the National Road Infrastructure Agency (NRIA) is a beneficiary under two Operational Programmes (Transport and Regional Development), the Commission paid close attention during the compliance assessment review to the arrangements in place for effective management verifications by the respective Managing Authorities to ensure the legality and regularity of expenditure, in particular where the NRIA is a beneficiary. It will continue closely monitoring the implementation of the programmes throughout the period. The compliance assessment for all ERDF/Cohesion Fund Operational Programmes have been approved by DG REGIO. In response to a series of 'disclaimers of opinion' contained in Annual Control Reports submitted by Bulgaria's Audit Authorities (AA), however, the Commission has sent a letter to the Bulgarian AA requesting additional information and the opinion from the Audit Authority on the Operational Programme Environment (ERDF/Cohesion Fund). For the Operational

Programmes Competitiveness, Regional Development, Transport and Technical Assistance, interim payments can now be made.

119. (*European Parliament, §§ 254-255*) - Regrets the weaknesses, in particular the failure to identify irregular support applications and adequately to follow up the irregularities, and urges Bulgaria to adopt a detailed action plan in close cooperation with the Commission and under close supervision by an independent auditor;

Stresses that this action plan must attain specific, measurable, achievable, relevant and timed targets, in particular, where relevant, the creation of transparent procurement rules which meet international standards and do not restrict competition from international bidders by imposing huge internal administrative burdens on them; further considers that these targets must focus on the establishment and maintenance of fully operational judicial and administrative structures.

Commission's response:

The Commission has taken the requested action.

In 2008, the Bulgarian authorities set up a SAPARD action plan to cover the weaknesses referred to in this request. Its implementation has been closely followed up by the Commission services and OLAF which requested Bulgaria to take corrective measures to address the control deficiencies and to provide an updated and complete version of its debtors' ledger. Based on the information received from the Bulgarian NAO and the independent audit authority and taking account of the latest version of the debtors' ledger submitted by the Bulgarian authorities, it was concluded that the action plan has been implemented and the reimbursement of the expenditure has been restarted on 9 September 2009.

A conformity audit mission has been carried out in Bulgaria by DG AGRI services in December 2009 in order to assess the implementation of the SAPARD action plan and the continued correct application in practice of the amended procedures and reinforced controls, also for recently paid projects. In this context, particular issues such as related parties, pricing at arms length and the reliability of the price data base were checked. The Commission auditors concluded that the management, control and sanction system has improved in comparison to the past and that the action plan has been implemented. However, recommendations were given and additional documents were requested. These outstanding issues will be managed with the Bulgarian authorities in the framework of the conformity clearance procedure.

120. (*European Parliament, §§ 256-257*) - Welcomes the updated information from the Commission on the status of implementation of EU funds in Bulgaria and Romania; however, notes the continuous existence of inconsistencies and irregularities in the progress reports submitted; finds its efforts to evaluate progress in the judicial and administrative system frustrated by the existing designs of the progress reports; requests the Commission to continue to closely monitor those Member States' systems and the implementation of the agreed action plans, and suggests that OLAF also should maintain the support given by it to those Member States in fulfilling their obligations concerning the protection of the financial interests of the Union;

Demands that the reports give clear indications as to progress in the key areas of the fight against fraud and corruption; recalls its demand for a traffic-light system (red, amber and green), based on specific indicators (quantity and quality of legal and administrative measures taken to prevent, deter and punish fraud and corruption), so as to give a clear picture of the evolution of existing systems in those countries; is astonished that OLAF was not always consulted in the compilation of the reports; asks the Commission to include OLAF's comments in the upcoming progress reports.

Commission's response:

The Commission reports regularly under the Cooperation and Verification Mechanism on progress in judicial reform, the fight against corruption and - for Bulgaria - the fight against organised crime. On 23 March 2010, the Commission adopted interim reports, the latest set of reports was adopted on 20 July 2010. In these last reports, the Commission provides a detailed assessment on progress in both Member States and also refers to the situation regarding public procurement. OLAF is consulted on an informal basis on operational matters under its area of responsibility in relation to the 2 Member States. The reports can be found at the following website:

http://ec.europa.eu/dgs/secretariat_general/cvm/progress_reports_en.htm

121. (European Parliament, §§ 258 & 262) - The European Parliament notes the steps taken by the Commission to improve the overall performance of pre-accession assistance in Croatia in close cooperation with the national authorities and to closely monitor the conditions for the full decentralisation of IPA funds; stresses that lessons learned from problems concerning the implementation of pre-accession funds in Bulgaria and Romania should help the Croatian authorities, with the Commission's assistance, to avoid similar difficulties when implementing the pre-accession funds in respect of their country; deplors the fact that the Commission failed to act on Parliament's request for a traffic-light system (green, amber and red) to be introduced into the progress reports, showing developments in areas of high importance for the fight against fraud such as the establishment and maintenance of stable and efficient structures for the judiciary and the administration;

Recalls that the 2009 progress report for Croatia shows deficiencies in the fields of the judiciary due to shortcomings in the transparency and application of uniform, objective criteria in the selection of judges and prosecutors; doubts, therefore, that the funds spent on Chapter 23 were spent efficiently and effectively.

Commission's response:

The Commission is closely monitoring the conditions for the full decentralisation of IPA funds. Croatia took a number of important steps to address weaknesses identified by the Commission in the decentralised management of pre-accession aid. These steps led to the conferral on Croatia of decentralised management powers (with ex ante controls by the EU Delegation). Croatia needed to ensure that the conditions set out in the aforementioned Commission Decisions on conferral of management powers were met. Findings of follow-up audits which were carried out are being thoroughly addressed.

The main challenge for Croatia in the horizon of 2011 will be to obtain from the Commission the waiver of ex-ante controls. The National Authorising Officer in Croatia submitted roadmaps to waive ex ante controls by the EU Delegation. These roadmaps provide a framework for the monitoring and assessment of progress towards waiving ex ante controls including an improvement of the pace and quality of contracting. Particularly in the second quarter of 2010, a significant reduction in rejections of files submitted for ex-ante approval by the Delegation has been achieved. The sustainability of this trend will have to be confirmed over a longer period.

Identified deficiencies in Croatia's appointment procedures for judges and prosecutors will be improved by application of benchmarking procedures and new legislation which was adopted in December 2009. Furthermore EU financial assistance is also linked to Croatia's reform efforts in this area.

The process of the overall reform of the judicial system in line with the key Accession Partnership requirements is still underway and significant progress has already been achieved. The Commission will closely monitor the process and will use all available instruments, including the joint bodies under the Stabilisation and Association Agreements, to identify and tackle possible shortcomings.

The Commission already extensively reports on a yearly basis (Enlargement Package) on the state of progress of candidate countries, including in developing their judicial systems and public administrations and in fighting corruption. The Commission believes that it would not be appropriate to establish a "traffic light" system in the Progress Reports as this could be assimilated or confused with a political "judgement" regarding the accession of candidate countries and its timeline.

Formal accession negotiations already contain extensive benchmarks, including in Chapter 23 (Judiciary and fundamental rights) and Chapter 24 (Justice, freedom and security) which have to be met at various stages in the enlargement process before accession negotiations can be successfully concluded.

122. (European Parliament, § 259) - Is disappointed by the fact that key weaknesses (lack of programming readiness and uneven performance across sectors), which have resulted in a 'moderately unsatisfactory' overall performance as regards pre-accession assistance in Turkey, continue to prevail.

Commission's response:

A number of improvements in the management of pre-accession are already under implementation to increase the effectiveness of financial assistance:

- 1. The Commission will complement the current programming practice with a more sectoral approach where appropriate, with sector strategies aiming at both improved ownership and impact.*
- 2. The Commission is taking steps to follow up the recommendations of last year's IPA conference and the December Council conclusions on IPA to better link financial assistance to political priorities.*

3. The Commission will ensure that future projects have clearer objectives that result in an improved intervention logic through relevant and measurable indicators and benchmarks.

4. Where necessary, clearly defined conditionalities will be used to ensure that the Turkish beneficiaries implement commitments necessary for financial assistance to achieve results and impacts.

5. Together with the Turkish authorities, monitoring systems will be further improved to increase the focus on results and impact of projects under implementation.

6. Further action will be taken to address outstanding recommendations from audits and evaluations to strengthen the management and control systems for DIS (decentralised implementation).

7. Audits, evaluations and close monitoring will ensure that improvements are effective and further adjustments are brought under way to the system if necessary.

123. (European Parliament, § 260-261) - Notes the steps taken by the Commission in the candidate countries and other countries in the Western Balkans to fight corruption, and encourages the implementation of projects strengthening the independence of the judiciary, the development of professional law enforcement and support for the fight against corruption, within the framework of the regional and national assistance; recalls that under the Thessaloniki Agenda for the Western Balkans the EU undertook to work closely with the western Balkan countries to further consolidate peace and to promote stability, democracy, the rule of law and respect for human and minority rights; stresses that this also applies to the fight against organised crime and corruption as well as to the enhancement of regional cooperation;

Recalls that the Court of Auditors found no clear Commission methodology by which the Commission measures progress in those areas; in particular, asks the Commission's Secretariat-General to provide Parliament with a report on the implementation of the Thessaloniki Agenda which could serve as the basis for an external evaluation of its progress; calls on the Commission to establish a clear connection between the payment of pre-accession funds and evidenced and visible achievements in the fields of the Thessaloniki Agenda.

Commission's response:

Progress in the areas under the Thessaloniki Agenda is measured through the mechanisms used to assess the Western Balkan countries' progress towards integration to the EU. The Western Balkan countries are committed to a process of integration to the EU with an eventual accession as member state. To this end they are striving to meet the Copenhagen criteria which cover most of the areas under the Thessaloniki agenda: 1) the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; 2) the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; 3) the ability to take on the obligations of membership, including adherence to the aims of political,

economic and monetary union and the administrative capacity to effectively apply and implement the acquis.

Their progress is measured by the Commission through the yearly enlargement package which includes a Strategy Paper and progress reports, which assess reforms undertaken by the Western Balkan countries in the above areas over the past twelve months, including the key priorities of the Thessaloniki Agenda such as the fight against organized crime and corruption, as well as initiatives to promote regional cooperation. In certain years, the enlargement package also includes proposals to the Council of Ministers for revised European and Accession partnerships for each country, in which the Commission lists priority areas for further reform. The upcoming enlargement package will be adopted in November 2010 and will include a Communication from the Commission to the European Parliament and the Council. The Commission considers that the existing reporting is adequate and sees no need for a complementary report to be issued by the Commission's Secretariat General on the same subject.

Furthermore, on 5 March 2008 the Commission issued a Communication to the European Parliament and the Council entitled: "Western Balkans: Enhancing the European Perspective". Following up on the Thessaloniki Agenda and the Salzburg Communication, the Communication reiterated the EU's commitment to the European perspective of the Western Balkans and pointed the way forward for an enhanced progress of the region towards the EU. It set out new initiatives for promoting people-to-people contacts, covering areas such as visa liberalisation and scholarships, for developing civil society and for enhancing the region's economic and social development. The Communication also provided a succinct analysis of the situation of each partner in the light of recent developments and the main regionally relevant EU activities in the Western Balkans. On 3 February 2009 the Commission issued a Staff Working Paper on "EU regionally relevant activities in the Western Balkans 2008/2009". This Staff Working Paper outlines EU activities of regional relevance to the Western Balkan countries and corresponding regional activities related to the European agenda of the Western Balkans. It is an update of the Annex to the March 2008 Commission Communication on the Western Balkans.

As regional cooperation is a priority of the Thessaloniki Agenda, the Commission has taken a number of measures to enhance regional cooperation. Between 2007 and 2010 around €430 million has been allocated to projects supporting either regional cooperation or activities addressing common needs in the region.

124. (European Parliament, § 263) - Notes that the Regional Cooperation Council has been active for more than a year; asks the Commission to provide information with a view to strengthening regional cooperation under the decentralised implementation system and to present to the budget authority its strategic considerations in that area.

Commission's response:

The Regional Cooperation Council (RCC) is a regionally-owned cooperation structure located in Sarajevo and co-financed by the countries of the region, the European Commission and other interested donors. The RCC took over from the Stability Pact in 2008 and after three years it is a well established and functioning

organisation. The work of the RCC focuses on six priority areas: economic and social development, energy and infrastructure, justice and home affairs, security cooperation, building human capital, and parliamentary cooperation as an overarching theme.

In line with the Enlargement Strategy, the EU will continue to support local ownership of initiatives in regional cooperation. The RCC being the key interlocutor for regional cooperation becomes then a fundamental actor for supporting and implementing a number of thematic or sector specific regional initiatives originally launched under the Stability Pact which have been identified as priorities and confirmed by the RCC Board through the approval of the RCC Strategy Paper (2011-13) on 23 June 2010.

The Commission is preparing a number of actions in the area of cultural heritage and economic development which count with the strong regional leadership of the RCC. It is also the intention of the Commission to provide complementary technical assistance in order to enhance its role for identification and formulation of regional priorities and for the follow up and prioritising of the several existing regional initiatives.

125. *(European Parliament, § 264-265) - Recalls the need for the candidate countries to ensure effective implementation of new and reformed legal provisions by means of an ambitious, transparent, accountable, effective and efficient public service; notes with concern that – notwithstanding different developments in both countries – both in Croatia and in the former Yugoslav Republic of Macedonia (FYROM) corruption is still widespread and constitutes a very serious problem; deplores the fact that in cases of high-level corruption only limited investigation was carried out and that, overall, only a small number of investigations led to criminal charges; stresses that this indicates serious shortcomings in the judicial system;*

Asks the Commission to continuously monitor and report to the budgetary authority on the backlog and number of new criminal charges and verdicts and the backlog and number of new court cases brought on charges of infringement of public procurement laws in Croatia and in FYROM.

Commission's response:

As regards Croatia, the Commission continues to promote an appreciation and acceptance of the need for an ambitious, transparent, accountable, effective and efficient public service, e.g. at the Stabilisation and Association Council in March 2010. While corruption is still prevalent in many areas, good progress has been achieved in the fight against corruption which is receiving greater attention than in the past. Most of the increased number of cases investigated recently and indictments remain to be brought to a completion before the legal system. The office for the fight against corruption (USKOK) continued to be active and issued indictments in some important cases. USKOK also began to investigate possible high level corruption involving senior political figures. Recently upgraded legal and administrative structures to combat corruption have yet to be fully tested in practice.

As regards the former Yugoslav Republic of Macedonia, the Commission has given high priority to reforms concerning public administration, the judiciary and the fight against corruption. These were established as key priorities of the 2008 Accession Partnership and were used as benchmarks to determine the readiness of the country to undertake accession negotiations. The 2009 Progress Report concluded that some progress was made in public administration reform, including reform of the civil service, which is a key priority of the Accession Partnership. Further progress has been made on judicial reform, which is another key priority of the Accession Partnership. Good progress has as well been made in strengthening and implementing the anti-corruption framework. Nevertheless, corruption remains prevalent and continues to be a serious problem in many areas. Continued efforts are needed, in particular as regards implementation of the legal framework. Finally, as concerns public procurement progress could be reported as regards the remedies system. However, administrative capacity and coordination mechanisms of the main stakeholders in the public procurement system still need further strengthening.

The Commission monitors and reports on the judicial backlog and on the situation with respect to the public procurement system in Croatia as well as in the former Yugoslav Republic of Macedonia in its annual progress reports published in the autumn. These issues are also regularly discussed in the Joint Parliamentary Committee, which holds meetings twice a year. The Commission is currently preparing the 2010 Progress Report which will be published in November 2010.

126. (European Parliament, § 266) - Concludes that the need for constant, objective and transparent progress monitoring remains; in that regard, calls on the Commission in the event of accession proceedings to establish a starting-point in key areas relevant for accession and to use that starting-point as a reference and benchmark throughout the accession process; considers that the sustainability of progress in the accession process and affirmation of the aims achieved during such process are of paramount importance for the successful continuation of the Union; consequently, asks for a regular post-accession follow-up.

Commission's response:

The Commission has made concerted efforts to improve the monitoring process and has established clear benchmarks throughout the whole process.

Learning from previous enlargements, the EU has refined its enlargement policy which is now a carefully managed process, leading through successive stages to accession, provided the necessary conditions are fulfilled at each stage of the process. As an example, the political criteria need to be (sufficiently) fulfilled for accession negotiations to be opened. The policy is based on the own-merits principle, i.e. countries approach the EU depending on the pace of their political and economic reforms and their capacity to take on the obligations of membership. Reform priorities are set out in Accession Partnerships (for candidate countries) and European Partnerships (for potential candidates) in the form of Council decisions, based on proposals by the Commission.

The pace of advancement in EU-related reforms is monitored in detailed annual Progress reports. When asked by the Council to prepare an opinion on a country's

EU membership application, the Commission examines the candidates' preparedness with regard to the Copenhagen criteria as well as the impact of the accession on key policy areas.

The first stage in the accession negotiations is the so called screening process where Commission experts explain the acquis under the different chapters and experts from the candidate countries explain their plans for implementing the acquis. The results are screening reports by the Commission, addressed to the Council, recommending either the opening of a chapter or setting opening benchmarks that need to be fulfilled before the chapter can be opened. These recommendations need to be endorsed by the Council. Once the Council confirms, on the basis of a Commission recommendation, that a candidate fulfils the opening benchmarks, the candidate country is invited to send its opening position for the chapter. Therein it describes in detail how it will implement the acquis and can ask for transitional periods, limited in time and scope. The EU reacts with a common (opening) position, prepared by the Commission. Therein it defines its position regarding the requests for transitional periods as well as conditions that need to be met for the chapter to be closed ("closing benchmarks"). Once the closing benchmarks have been met and agreements on possible transitional measures found, the EU reacts with a closing common position, prepared by the Commission. After the negotiations are concluded and before the European Parliament gives its assent and the Council decides to proceed to signing the Accession Treaty, the Commission delivers a final formal and brief opinion.

Throughout the negotiations and all the way upon accession, the fulfillment of commitments taken by the candidate country is systematically monitored through regular reports to the Council, peer assessment missions, and subcommittees under the bilateral agreements, to name just some. Follow-up post accession does take place, in particular when specific arrangements have been agreed regarding the acceding countries.

Administrative expenditure

The European Parliament has made no specific request to the Commission.

Commission's response:

No reply necessary.

Special Report No 10/2008 on EC Development Assistance to Health Services in Sub-Saharan Africa

127. (*European Parliament, § 268*) - The European Parliament invites the Commission to consider increasing its aid to the health sector during the 10th EDF mid-term review to support its commitment to the health MDGs, and to ensure that its assistance to the health sector is distributed respecting its policy priority of support to health systems.

Commission's response:

During the ongoing 10th EDF Mid-term review exercise, the Commission has given particular attention to the MDGs and to its support in this respect. It is considering how to best invite countries to give more attention to their record in terms of MDGs, starting with a reinforced attention to policy dialogue and quality of policies. Through direct increase of focal sector support (where health is a focal sector) or through general budget support, the Commission is working toward an increase of its assistance to the health sector, while fully respecting and strengthening ownership by partner countries and division of labour with other donors. In the health sector, such support will be guided by the policy framework adopted during 2010 on "the EU role in Global Health (Communication and Staff Working Documents 31/03, Council conclusions 10/05) which commits the Commission and also EU Member States to enhance the strengthening of health systems by adhering to the aid effectiveness commitments, and committing to the specific targets of two thirds of EU health aid through national programme-based approach, and 50% by using country systems.

128. (*European Parliament, § 269 & EDF § 40*) - Reminds the Commission of the undertaking given in the context of the Development Cooperation Instrument to devote 20 % of funds to health and basic education by 2009 in all European development policy spending, and requests it to regularly inform Parliament what percentage, broken down by country, of the total development assistance allocated to sub-Saharan Africa is committed for basic and secondary education and basic health.

Commission's response:

The Commission has allocated 277 million € to basic and secondary education and basic health through its DCI in 2008, which is equivalent to 20,2% of the total DCI allocation during this year. In 2009, 470 million € or 35% of the DCI allocation have been committed mostly for Education. Thus, commitments are above the undertaking of 20% in 2008 and 2009 but vary significantly from year to year.

On 8 April 2009, EuropeAid sent to the European Parliament Development Committee a complete information broken down by country on the amount and proportion of EC support provided to health and education in Sub-Saharan Africa (SSA). This information covered the 5-year period 2003 - 2007 as well as the planned 10th EDF support to health and education in SSA.

129. (*European Parliament, § 270*) - Urges the Commission to ensure that it has sufficient health expertise to play an effective role in the health sector dialogue by ensuring that all delegations where health is a focal sector have health specialists, by working

more closely in post-conflict countries with ECHO health advisers, by forming closer partnerships with World Health Organization country offices with a view to drawing on their expertise and by entering into formal agreements with EU Member States to use their expertise; requests the Commission to communicate to Parliament the number of health and education experts respectively available in the region, at delegation level as well as in its headquarters, and an overview indicating whether it has succeeded in increasing this number.

Commission's response:

In March 2009 the Commission took stock of the public health expertise at its delegations in Sub-Saharan Africa. At that time there were 13 public health specialists at 11 delegations.

1/ Of the ten delegations with health as a focal sector or with significant activities in the health sector nine had health expertise. Eleven of the 30 delegations which did not have health expertise drew, where necessary, on the expertise of the Member States, and two of them drew on the UN agencies (WHO, Unicef).

2/ Of the 24 delegations providing General Budgetary Support (GBS), seven of them under "MDG contracts", five had public health expertise. The other delegations draw on the expertise of the Member States (e.g. under the work-sharing arrangements in Tanzania) or collaborate with the national offices of the World Health Organisation (WHO) (11 EU delegations associated the WHO in the mid-term review of the 10th EDF).

130. (European Parliament, §§ 271-273) - Invites the Commission to continue to increase use of Sector Budget Support in the health sector, to focus its General Budget Support (GBS) on improving health services and to continue to use projects for support to policy development and capacity-building;

Urges the Commission to put in place mechanisms and monitoring tools to ensure that an adequate proportion of GBS aid is supporting basic needs, particularly in the health sector, to use targets that directly measure the outcome of policies, to provide support for capacity-building and to inform Parliament about the steps it has taken to that end;

Invites the Commission to establish clearer guidance on the use of each instrument and their combinations, as well as to work more closely and efficiently with the Global Fund in beneficiary countries.

Commission's response:

In order to maximise the impact of General Budget Support on social sectors, the Commission is trying to increase its departments' capacity, coordinate the dialogues and thus contribute more effectively to monitoring the implementation of sectoral policies. Its actions are consistent with the Code of Conduct on complementarity and division of labour in development policy.

Financial assistance under Budget Support may not be allocated to a specific sector. It helps to increase the tax revenue of the beneficiary country and hence its

ability to fund activities which it would otherwise have been unable to undertake. The dialogue with the governmental authorities serves to establish a performance framework which defines the conditions and the results to be achieved. The disbursement of variable instalments is also partly linked to achieving results.

As regards the work of the Global Fund to Fight AIDS, Tuberculosis and Malaria in the beneficiary countries:

(i) the Commission has signed an agreement with the WHO to contribute €2 million for implementing a programme to enhance the capacity of six countries in SSA to plan, carry out and monitor their action plans against HIV/AIDS,

(ii) the Commission has developed a guide for EU delegations entitled 'Strengthening of the partnership on a local scale between the European Commission and the Global Fund'. It was produced in English and French and sent to all Heads of Delegation in June 2009. EuropeAid is currently drafting Programme and Project Cycle Management (PPCM) guidelines which revise, update and reorganise all the guidelines in a single document. One of the aims of this exercise is to strengthen the links between programming and aspects relating to implementation.

131. *(European Parliament, § 274) - Calls on the Commission, in cooperation with the Court of Auditors, to identify how the weaknesses noted in the Court's report can be addressed, and to report to Parliament on the outcome of these discussions.*

Commission's response:

The Commission is taking the requested action. Progress will be reported to Parliament in the context of EuropeAid's Annual Activity Report 2010.

Special report No 12/2008 on the Instrument for Structural Policies for Pre-accession (ISPA), 2000-2006

132. (*European Parliament, § 275*) - Urges the Commission to closely follow up the implementation of ex-ISPA projects, to examine how delays in the implementation of projects could be avoided or reduced in the future when implementing similar instruments (for instance, the IPA), and to take all necessary steps in order to prevent delays in the preparation of future guidance documents;

Commission's response:

The Commission is taking the requested action. The satisfactory functioning of the decentralised implementation system is constantly monitored, in particular in relation to public procurement and implementation of projects. With regard to public procurement, the entire process is reviewed by the Commission Delegations. Audits and evaluations are carried out on a regular basis. On the spot visits are frequently organised to verify adequate progress of the projects. Roadmaps to gradually waive ex-ante controls by Commission Delegations on public procurement have also been prepared. The achievement of the benchmarks included in the roadmaps will confirm the preparedness of the national institutions to assume full ownership for preparation and implementation of programmes and projects. This is relevant for both ISPA and IPA.

133. (*European Parliament, § 276*) - Calls for more rigorous and realistic planning by projects' applicants and for ways to speed up the procedures, when implementing similar instruments in the future, both at the Commission level and within national administrations of beneficiary countries;

Commission's response:

The requested action has been taken. Regular meetings are organised with the national administrations of beneficiary countries to discuss implementation of projects and propose solutions for problems encountered (public procurement, expropriations, administrative issues). More rigorous and realistic planning by projects' applicants is ensured through review and appraisal by independent consultants.

134. (*European Parliament, § 277*) - Invites the Commission to continue its systems audits in order to ensure that reliable systems are created for the management of the Structural and Cohesion Funds, and to prevent potential high-risk situations in the future;

Commission's response:

The Commission is taking the requested action. The satisfactory functioning of the decentralised implementation system is constantly monitored, in particular in relation to public procurement and implementation of projects. With regard to public procurement, the entire process is reviewed by the Commission Delegations. Audits and evaluations are carried out on a regular basis. On the spot visits are frequently organised to verify adequate progress of the projects. Roadmaps to

gradually waive ex-ante controls by Commission Delegations on public procurement have also been prepared. The achievement of the benchmarks included in the roadmaps will confirm the preparedness of the national institutions to assume full ownership for preparation and implementation of programmes and projects. This is relevant for both ISPA and IPA.

Special report No 1/2009 on banking measures in the Mediterranean area in the context of the MEDA programme and the previous protocols

135. (*European Parliament, § 278*) - The Commission should improve the effective coordination of assistance by the Union, the European Investment Bank (EIB) and other international and local partners, and regular exchange of information, in particular at the local level, in order to increase the consistency and complementarity of activities.

Commission's response:

The level of coordination between the European Union, the EIB and other European multilateral and bilateral finance institutions has significantly improved since the creation of the Neighbourhood Investment Facility (NIF) in mid 2008.

The Commission has led the way by encouraging co-operation among European Public Finance Institutions and by promoting a harmonised approach towards the partner countries (e.g. in terms of procurement rules, single reporting, etc.). The NIF paves the way for the concrete implementation of grant/loans coordination, division of labour and harmonisation of procedures.

An important step in that direction is the NIF Framework Arrangement, signed at the end of 2009 between the European Commission and the nine European Public Finance Institutions, which clarifies the role and the responsibilities of each institution in the implementation of NIF operations. The cooperation between the Commission and the finance institutions, as well as among the finance institutions themselves, has reached a new level in terms of mutual recognition of procedures. For each NIF project, a European Public Finance Institution is designated as the Lead Finance Institution, coordinating project implementation with the European Neighbourhood Partner (ENP) country on behalf of the others.

This innovative approach significantly reduces transaction costs for the partner country while increasing the competitiveness, effectiveness and visibility of the joint European cooperation. This is fully in line with the objectives of the Paris Declaration, the Accra Agenda for Action and the European Consensus on Development.

The information flow with delegations has also been enhanced with a systematic consultation on new operations to be financed under the NIF (investment projects) or under the EU-funded Support to the Facility for Euro-Mediterranean investment and partnership FEMIP (technical assistance, risk-capital). EIB's reports are also sent to the delegations, and monitoring missions regularly take place.

136. (*European Parliament, § 280*) - The EP underlines the importance of a management agreement concerning the referred banking measures mandated to the EIB on behalf of the Commission in order to ensure appropriate monitoring, to cover the environmental aspects, to safeguard the financial interests of the Union and to ensure that the intermediaries and promoters fulfil their financial and reporting obligations.

Commission's response:

The new Framework Agreement is currently under negotiation with the EIB.

137. (European Parliament, § 281) - The EP stresses the importance of a tailor-made evaluation and monitoring programme for banking measures to be applied within the framework of the European Neighbourhood and Partnership Instrument.

Commission's response:

The new Framework Agreement currently under negotiation shall also cover these issues.

Special report No 2/2009 on the European Union's Public health Programme (2003-2007): an effective way to improve health?

138. (*European Parliament, § 282*) - Invites the Commission to report to Parliament on the outcome of its mapping exercises for the current PHP and stresses that the risk of dilution should be addressed in the mid-term and ex-post evaluations of the programme;

Commission's response:

The communication to Council and Parliament on the results of the evaluation of the Public Health Programme 2003-2007 which should be finalised end of 2010 or early 2011 takes this recommendation into account and will provide the requested information on mappings exercises.

139. (*European Parliament, § 284*) - Considers, therefore, that any successor PHP should focus on networks and exchange of best practice and that more use should be made of the open method of coordination with a view to encouraging the exchange of 'good practices';

Commission's response:

Results of the final evaluation of the first Health Programme and of the mid-term evaluation of the second Health Programme as well as recommendations following the ECA's Special report will be taken into account for the design and impact assessment of any successor Health Programme.

140. (*European Parliament, § 285*) - Invites the Commission to set out an explicit intervention logic for any putative successor programme to the current PHP; stresses that this should be done in its ex-ante impact assessment which is to accompany the Commission proposal for such a programme;

Commission's response:

An explicit intervention logic will be set out for any successor Health programme. This will be done in the impact assessment which is to accompany the Commission proposal.

Special report No 3/2009 on the effectiveness of Structural Measures spending on waste water treatment for the 1994-1999 and 2000-2006 programme periods

141. (*European Parliament, § 287*) - Takes note of the under-utilisation of some treatment plants and urges the EU-funded treatment plants to maintain a cost-effective system of functioning; therefore encourages the Commission and Member States to find ways to ensure that EU-funded treatment plants are adequately connected to the sewage networks;

Commission's response:

The Commission has taken the requested action. In addition to its reply to paragraph 59 (a) of the ECA's Special report on Waste Water, the Commission believes that under-utilisation of Waste Water Treatment Plants (WWTP) was rather a transitional problem due to constructing in parallel the treatment plants and the sewage networks. Thus this problem appeared mostly in situations prior to 2005, which was the last deadline set by the Waste Water Treatment Directive: Member States tried to be in conformity with the Directive by having first the WWTP and then construct all other connected and associated works. This is no more a problem as these plants are now adequately connected to sewage networks.

142. (*European Parliament, § 288*) - Acknowledges the Commission's efforts to bring about a revision of the relevant Directive (Council Directive 86/278/EC – the Sewage Sludge Directive), encourages the speeding-up of the current revision procedure in order to incorporate recent developments and adjust Member States' different practices in this field,

Commission's response:

The Commission takes note of the recommendation and confirms that work on the revision is progressing, aiming at a legislative proposal within the shortest delay possible, in 2011 if appropriate.

143. (*European Parliament, § 289*) - Underlines the need for a more rigorous examination of projects at the application stage in order to prevent shortcomings in anticipated effect; therefore invites the Commission to further develop internal guidelines and checklists for use in the appraisal process, in order to improve consistency of grant applications, and to ensure proper follow-up action in cases where required information or action is not forthcoming;

Commission's response:

The requested action has been taken. The Commission developed an internal checklist for co-financed water projects at the application stage during the first half of 2009. This was discussed with the environmental authorities in the Member States in the format of the European Network of Environment Authorities (ENEA) on 10.06.09, with comments requested by 30.09.09. Following the incorporation of their comments, the internal checklist dated 20.11.09 was made available on both the websites of DG ENV and DG REGIO in November 2009 in order to improve transparency with the Member States. Appropriate and targeted training has been

provided for desk officers in DG ENV and DG REGIO on using this checklist during 2009 and 2010, and it is proposed to repeat this regularly due to staff turnover. An updated and improved version of the checklist has been prepared in July 2010.

Special report No 4/2009 on the Commission's management of Non-State Actors' involvement in EC Development Cooperation

144. (*European Parliament, § 290*) - Regrets and cannot accept the existing gap between EU policy commitments as regards the involvement of Non-State Actors (NSAs) in development corporation and actual implementation practices, and therefore expects the competent Member of the Commission to present evidence showing full political support and leadership action for an effective implementation of policy commitments vis-à-vis NSAs, on the part of both its headquarters and the Commission delegations; further regrets that the success criterion for development is reduced to "economic development", because this approach ignores the fact that the gap between those who have and those who have not has dramatically widened; requests the Commission to see to it that, by the end of 2010, every delegation has at least one responsible full-time expert dealing with NSAs' policies, contacts and contracts;

Commission's response:

The Commission is working on the requested action. The new instruments (2007-2013) reflect the main changes in the NSA sector worldwide. Programmes are no longer restricted to European NGO but are opened to a large spectrum of organizations, especially to local stakeholders representing specific groups. This evolution of EC programmes has been positively appreciated but nonetheless, the goals are ambitious and often difficult to attain.

In addition, the EC is currently organizing the "Structured Dialogue for an efficient partnership in development." This one-year process will involve civil society organisations and local authorities from Europe and Partners countries and also EU Delegations, the European Parliament and Member States through the organisation of Working Group sessions in Brussels and other regions of the world. Commission launched this process in March 2010 and it is expected that outcomes of this initiative will contribute to improving the effectiveness of all stakeholders involved in EC cooperation. The Structured Dialogue will have its final conference in May 2011 in Budapest.

Concerning HR resources in Delegations, the EC agrees that additional efforts have to be made to enable Delegations to have in-depth understanding of the NSA sector and work is already in progress (regional seminars, mapping studies, guidelines on the involvement of NSA's in budget support programmes, etc.). But within the limited resources it is not possible to have at least one full time expert on NSAs.

145. (*European Parliament, § 291*) - Notes that those developing countries which have taken their development process into their own hands have achieved good levels of poverty reduction; underlines the key role of the State in development and invites the Commission and its delegations to further improve relationships with partner country governments in order to enable there to be more effective engagement and consultation with NSAs;

Commission's response:

The EC is taking the requested action and, to promote enabling environment for Civil Society Organisations (CSO) in countries, the EC is engaged in political dialogue with the States (especially ACP countries through Article 8 of the Cotonou Agreement) and has at its disposals geographic and thematic programmes:

- Geographic programmes result from a direct negotiation with the Partner States. Civil society capacity-building programmes are implemented and bring very positive results, thanks to the commitment of national authorities. In other specific contexts (case of partnerships), it is difficult to push partners towards a more inclusive process (reluctance of the sovereign state).

- Thematic programmes can be more flexible; they follow another intervention logic called "Actor Oriented". They correspond to the need for addressing a specific issue worldwide and aim at promoting EU common values around the world (promotion and protection of Human Rights, gender equality, sustainable development, etc.) even in the cases of difficult partnerships (EIDHR).

The mid-term review of the ENP, DCI and EDF has provided opportunities for consultation on the design of development strategies. EC Delegations are asked to organise regular consultation sessions for the preparation of geographic and thematic programmes when NSA are important stakeholders.

146. (European Parliament, § 292) - Finds the lack of complete and reliable data extremely regrettable and expects the Commission to take remedial action immediately in so far as reliable data is a condition for starting to measure results; therefore calls on the Commission to submit to Parliament a full financial overview of the EU funds channelled through NSAs from the different budget lines subdivided by the countries concerned before the start of the 2011 budget procedure;

Commission's response:

The Commission is already publishing the list of all grants and contracts awarded including to Civil Society Organisations on the EuropeAid Web-site: http://ec.europa.eu/europeaid/work/funding/beneficiaries_en.htm

The data covering 2009 were published in the middle of June 2010. Furthermore, the EC can provide the EP with a preliminary list of grants awarded to Civil Society Organisations with inter alia the name and nationality of the organisation, title of the action, amount of the EC contribution and the name of the programme (domain) from where the action is financed. The list would also indicate whether the grant have already been subject to publication on the EuropeAid Website or whether publication was restricted with a view to protect the security of the beneficiaries in line with Article 30 (3) of the Financial Regulation.

In view of the fact that the list contains information about grants not to be published, the list would be submitted under the confidential procedure agreed between the European Parliament and the Commission.

The Commission has recently improved its classification system of Civil Society organisation active in the area of external assistance and the reclassification is ongoing. The process is expected to be completed in end 2010 at which stage the refined lists could be made available.

147. (European Parliament, §§ 293 & 294) - Takes the view that quality of aid is more important than quantity of aid and invites the Commission to play an important role in addressing the evident chaos in development assistance by promoting strong and efficient donor coordination and improving the current aid architecture; requests the Commission to consider whether this may not be the right moment, taking full account of the Court's remarks, to overhaul the whole system of (co-)financing of NSAs in order to make sure that NSAs can rely on transparent and efficient rules for the purposes of participation in programmes and projects;

Invites the Commission to give due consideration to the fact that donors are political actors and that in some cases there might be conflicting interests between donors and recipient countries; underlines that strong democratic national institutions and a well-defined policy for distribution of wealth are preconditions of sustainability; is of the opinion that, in order to achieve a more coherent policy in programming and subsequent programmes and projects and adequate evaluation, there should be a substantial shift from co-financing projects for NSAs to a 100 % EU funding of projects;

Commission's response:

Genuine donor coordination can help to face common challenges and overcome problems. The EC works naturally towards coordination of donors, especially since Member States and EC play a key role in the global aid effectiveness debate following the Paris Declaration and the Accra Agenda for Action, which emphasized (among other issues) donor coordination. Concerning civil society issues, EC is an active player within the Donor Group on civil society and Aid Effectiveness which has as a main objective a contribution to the OECD debate in the view of the next High Level Forum in 2011. Issues identified are also faced by others donors, including Member States. For that reason, the EC is engaged in the "Structured Dialogue for an efficient partnership in development" involving Member States, EP and civil society organisations and aimed at increasing the effectiveness of all stakeholders involved in EC cooperation. This first year of this initiative (March 2010 - May 2011) will be organized around working groups' sessions in Brussels and regional seminars in Africa, Latin America and Asia.

Other initiatives like the development of methodologies for mapping studies and a currently on-going study on how to engage NSA in new aid modalities are aimed at providing guidance to EC Delegations on how to enhance and facilitate NSA participation in political dialogue as well as in programmes and projects.

Concerning the last sentence of the request: the Commission is not able to apply the requested action as the key principle of the EC grant award process is the "co-financing", in application of the FR

- This principle ensures a minimum ownership of the action by partners as well as the (financial) sustainability of the action. The EC should rely on organizations which have a minimum of financial capacity to act.

- EC co-financing starts with 50% and can go up to 90% of the Action and even in some very specific areas and exceptional cases (EIDHR small grants), the EC can finance 100% of the project.

148. (European Parliament, § 296) - Invites the Commission to present proposals for modifications of the Financial Regulation which will allow the EU to act as a strong player among other international donors;

Commission's response:

The Commission refers to its proposal for a regulation of Parliament and the Council on the Financial Regulation applicable to the general budget of the EU (COM (2010) 260 final). In particular, in Article 164 it is proposed to authorise the Commission to set up and manage Union trust funds for external actions, which would intervene in emergency, post-emergency crisis operations (e.g. Haiti), or for thematic actions, and would pool the contribution of the Union budget with funds from other donors. The main objective of such a delivery instrument is to allow the Union to act as a major and more visible player in the field of development aid.

Special report No 5/2009 on the Commission's Treasury Management

149. (*European Parliament, § 297*) - The Commission should improve its oversight of the different treasury management activities performed and, as recommended by the Court of Auditors, meetings should take place more regularly between the two DGs concerned (DG Budget (DG BUDG) and the DG for Economic and Financial Affairs (DG ECFIN)) with a view to sharing information on risks and exchanging experiences and best practices regarding treasury and asset management activities on a Commission-wide level.

Commission's response:

The requested action has been taken. Meetings are regularly held between the Directorates General for Economic and Financial Affairs (DG ECFIN) and for Budget (DG BUDG) with a view to sharing information on risks and exchanging experiences and best practices regarding treasury and asset management activities on a Commission-wide level.

150. (*European Parliament, § 298*) - The Commission should continue to take all necessary action to ensure that significant financial risks are effectively and closely monitored throughout the course of the year; the EP welcomes the fact that, in order to further improve the situation, the Commission has already proposed to and agreed with the Court of Auditors that as from the 2008 closure an official circular letter is to be sent to the financial organisations concerned in order to obtain from them accurate, complete and standardised information regarding the fiduciary accounts.

Commission's response:

The Commission has a long standing practice of annually sending circular letters to all the banks it has opened accounts with. The answers to these letters are addressed by the banks directly to the Court of Auditors, and are copied to the Commission. Since 2008 such letters are also sent to financial institutions where Commission services have opened fiduciary accounts. All these accounts are disclosed in the Commission's annual accounts.

151. (*European Parliament, § 299*) - The Commission should draw up a control plan in DG BUDG for each 12-month period on the basis of risk analysis, to carry out controls during and after the year, and to report to Parliament on the problems encountered no later than three months after the end of the year concerned.

Commission's response:

The Commission's risk management framework requires services to carry out a full risk assessment each year to inform their Annual Management Plans. This includes the identification of the level of risk for each activity, and for the Directorate-General for Budget includes the Treasury function. Services must define action plans to manage critical risks and the results of these should be reported in their Annual Activity Reports.

152. (*European Parliament, § 300*) - The Commission should move ahead with the overview of the risks related to its treasury operations (DG BUDG), which forms part of its annual accounts and which provides a clear and comprehensive summary of the risks to which it is exposed, of the ways in which such risks are managed, and of the measures which have been put in place to control, minimise or neutralise them.

Commission's response:

The requested action has been taken. A consolidated risk management document for the Directorate-General for Budget treasury operations is available since September 2009.

153. (*European Parliament, § 301*) - For the sake of transparency, the Commission should more clearly document its procedures for transferring funds between Member States' own resources accounts, and should and better document the specific selection procedure followed in each case.

Commission's response:

The existing procedure for this purpose is complete and adequate and well documented; in addition it is complemented by step-by-step instructions. There are no selection procedures to be applied in this context. Also, in the meantime, this procedure has been updated by the Commission; so the Court of Auditors' recommendation in this area is now fully implemented.

154. (*European Parliament, § 302*) - The Commission should improve its database record-keeping, to optimise cross-checks and to follow up on the Court's observation concerning the coordination improvement needed in order to take into consideration the Commission's overall risk exposure with each commercial bank when the accounts' limits for holding funds with commercial banks are established by the Directorates-General concerned.

Commission's response:

The requested action has been taken. The two Directorates General (DG BUDG and DG ECFIN) have put in place practices to exchange information on their respective exposure with commercial banks, and to organise regular meeting to review issues of mutual interest.

155. (*European Parliament, § 303*) - The EP welcomes and supports the Commission's endeavours to propose the current system for the management of provisionally cashed fines, which was subject to a review in 2008, and expects that the proposal for a Commission decision on this matter issued in early 2009 by DG BUDG will increase its security.

Commission's response:

The requested action has been taken. A new system for the management of provisionally cashed fines, which addresses all concerns raised by the European Court of Auditors, is in place since the beginning of 2010.

Special report No 6/2009 on European Union food aid for deprived persons: an assessment of the objectives, the means and the methods employed

156. (*European Parliament, § 306*) - Believes that better criteria are needed to target aid at those countries and recipients that are most in need;

Commission's response:

The requested action has been taken. The Commission proposal to reform the food distribution scheme to the most deprived persons (COM(2008)0563) foresees requesting Member States to define clearer priorities via the drawing up of national food distribution programmes, setting their objectives and priorities for food distribution to the most deprived. It is to be underlined that the participation of Member States to this scheme remains voluntary.

157. (*European Parliament, § 309*) - Expects the Commission to implement the Court's recommendations in order to allow the budgetary authorities to have complete and objective information on the results of the programme;

Commission's response:

The requested action has been taken. The Commission proposal to reform the most deprived scheme (COM(2008)0563) foresees reinforcing Member States' reporting obligations to be subsequently laid down by the Commission. However, the data currently available already allow the Commission to state that the impact of the programme is very substantial since, as the Court recognises in its special report, the programme provides between 30 and 70%, depending on the charities and the Member States, of the total food distributed in the participating Member States to the most deprived people.

Special report No 7/2009 on the management of the Galileo programme's development and validation phase

158. (*European Parliament, §§ 311 & 315*) - The European Parliament asks the Commission to follow up on the Courts' recommendation in the forthcoming Communication on the future of Galileo with a view to clarifying the Galileo programme's political objectives and translating them into strategic and operational objectives in order to establish a solid roadmap for Galileo pending full deployment;
- Calls on the Commission to prepare updated figures and cost benefit analyses of the Galileo project and to inform Parliament accordingly.

Commission's response:

The Commission will be in a position to inform Member States and the Parliament of an update of the cost figures concerning the Galileo program through the mid term review to be adopted before end 2010.

159. (*European Parliament, § 312*) - The European Parliament is worried by the Court's finding that the Galileo Joint Undertaking failed to achieve most of its objectives and that its activities were seriously constrained by governance issues; asks the Commission to ensure, in line with the Court's recommendation, that in the case of future joint undertakings the governance structure does not impede the activities of the joint undertaking

Commission's response:

The Commission carefully examines the rationale and optimal governance of any new joint undertaking. For doing so, it also takes into account the recommendations formulated by a report of January 2010, which draws lessons from the experience of Joint Technological Initiatives so far.

The Commission already presented some proposals addressing this issue within the triennial revision of the financial regulation.

160. (*European Parliament, § 313*) - The European Parliament considers that the European taxpayers should be informed of any participation by third countries in the Galileo and EGNOS programmes; therefore requests that the Commission provide Parliament with detailed information on any kind of cooperation between the EU and third countries concerning the Galileo and EGNOS programmes.

Commission's response:

It is noted that the agreements which the EU concludes with third countries on the cooperation in the European GNSS programmes are approved by the Council and are publicly accessible documents. The signature of the cooperation agreement with Norway is scheduled in September 2010. This document will be send to the EP for consent in accordance with the article 218 of the Lisbon Treaty.

161. *(European Parliament, § 314)* - The European Parliament calls on the Commission and the European GNSS Supervisory Authority, in its accounts, and the Court, in its reports, to provide the discharge authority with clear and comprehensive information concerning the tangible and intangible assets created under the Galileo and EGNOS programmes, which are owned by the European Union.

Commission's response:

The Commission became the owner of the EGNOS assets in April 2009 when they were transferred from the European Space Agency (ESA). As a result, the Commission did not include these assets in its 2008 accounts because it was not the owner. The accounting treatment of the Galileo expenditure as research expenditure is continued and in accordance with the EU accounting rules. The transfer of the assets being created is not foreseen until the end of the In-Orbit Validation (IOV) phase, expected to be during 2012. The Commission is already working closely with ESA to ensure that at the time of this transfer all the necessary accounting and technical information will be available to ensure a smooth handover.

Special report No 8/2009 on "Networks of excellence" and "Integrated projects" in Community Research policy: did they achieve their objectives?

162. (*European Parliament, §§ 316-321*) - The European Parliament notes the existence of a high "expectation gap", i.e. the fact that fewer than 55 % of all projects reviewed ex post maintained their initial "excellent" evaluation; asks the Commission to reconsider its evaluation procedures;

Recalls that the vast majority of applications do not exceed the "excellence" threshold (only 15 % to 20 %), whereas application costs (amounting in some cases to as much as EUR 300 000) are borne by applicants; in this regard, urges the Commission to apply coherently and efficiently sensible discretion (e.g. multi-stage procedures) in order to make most efficient use of the money allocated to research instead of "administration of research";

Considers it unfortunate that, depending on their eventual success in the application procedure, only 53 % to 86 % of all parties concerned fully understood the nature of the instruments applied in the Sixth Framework Programme (FP6); regrets the fact that in some cases the choice of instrument was apparently geared to fiscal rather than material considerations; notes that the existence of a high number of partners in the Networks of Excellence (NoEs), as well as the Commission's strong focus on legal integration, constitutes a specific challenge, and that the expert group on the future of NoEs has recommended that larger partnerships should be formed only in exceptional, duly justified cases;

Regrets that, notwithstanding Parliament's demands for a more service- and customer-oriented implementation of research programmes, only limited progress has been achieved in the formation of "one-stop shops" covering the full range of Directorates-General within the research family, standardisation in terms of application procedures, prerequisite documentation and consistent communication; highlights the fact that the public regards the Commission as a single entity;

Demands in that respect that the Commission finally take the appropriate steps towards a pro-active approach in terms of customer support, internal quality control, including second-level standardisation, and coherent management; asks the Commission to make available on-line all legal texts on which the grants contracts are based including, where appropriate, references to Belgian law;

Recalls Parliament's constant demands for a reduction of the administrative burden, in particular in grants procedures ; deplores the fact that the time to contract averages 13 months, representing an increase of four months compared to the FP5; with a view to the FP7, demands that the Commission make use of existing administrative tools (e.g. Personal Identification Codes (PICs) and Legal Entity Appointed Representatives (LEARs)).

Commission's response:

The Commission when carrying out evaluations monitors that within the current legal framework the best proposals have been chosen. Further to this process the implementation of projects can result in unexpected difficulties that are

subsequently tackled. Nevertheless, according to the results of expert questionnaire surveys, and feedback from independent observers, the current evaluation procedure continues to be rated highly, including in comparison with other national and international schemes.

The Commission is aware of the significant costs that can be incurred when consortia prepare proposals. However, the figure referred to is much higher than figures normally quoted to the Commission, even as an upper limit. The two-stage procedure can indeed alleviate the effort required of applicants. It is being used in many calls for proposals. However, while a two-stage process works well in many areas, it is not a panacea, since experience shows that often the effort required to prepare a good first-stage represents a substantial portion of the effort to write a full proposal. Generally observers and applicants are ambivalent about the possible benefits of two-stage procedures. Finally, it should be recalled that the two-stage procedure prolongs the time to grant.

The start of FP7 has seen a number of simplifications compared to previous Framework Programmes. Some of them are linked to improvements in the systems and processes of implementation and contribute to reducing resources needed for the administrative management of grant related activities. This includes:

- the guarantee fund that allow reducing the number of several ex-ante controls;*
- fewer certificates on the financial statements (FP6: audit certificates) as a threshold for making them necessary has been introduced (€ 375 000);*
- much fewer ex-ante financial capacity checks. Only coordinators and beneficiaries asking for more than € 500 000 contribution will be checked, leading to the effect that nine out of ten FP7 participants will be exempt from ex-ante checking;*
- the unique registration of participants and the related IT systems. Participants are registered and validated once and the legal information is reused for all subsequent participations. The central registry is used for all programmes managed by the five "research DGs". Nearly 20 000 entities are already registered and validated now. The system of unique identifiers (Participant Identity Codes - PIC) and unique contact persons for each legal entity (Legal Entity Appointed Representative) leads to major streamlining of grant management at all stages, and also to better data quality;*
- streamlined processes and guidelines for amendments and for project reporting, leading to reduced burden both for beneficiaries and Commission services;*
- the average reporting period has been extended , which reduces considerably the number of reports and financial statements to be prepared by the beneficiaries and processed by the Commission;*
- the majority of interactions with beneficiaries now via Web-based online applications (move towards e-FP7) that are integrated under a Researchers Participant Portal. All these systems are interlinked and connected to the back office systems, presenting the user at each process step with Web forms pre-filled*

with all the existing data, avoiding thus repeated requests for the same information.

Average time-to-grant in FP7 is about one month shorter than in FP6, and further reduction is expected as a result of the above simplifications.

Since the start of FP7, the Commission operates a single research enquiry service for all questions on participants related to proposal and grant management.

Besides, the Commission is constantly working on the improvement of the clarity and accessibility of guidance documents and services, by streamlining the guides, removing unnecessary jargon and using consistent terminology - to reduce the entrance barriers for newcomers, in particular SMEs.

All legal and guidance documents for FP7 participants are available on CORDIS since the start of FP7.

In addition, the Research Participant Portal launched in 2009 has started acting as a unique platform ("one-stop shop") for FP participants (<http://ec.europa.eu/research/participants/portal/appmanager/participants/portal>). The medium-term goal is to integrate all front office IT systems under this common umbrella.

The overall median in FP7 is currently 330 days, i.e. 30 days shorter than in FP6. Hence, the Commission can say that the start of FP7 went much more smoothly than the start of the previous framework programmes. But the Commission must also note that a comparison of 17 funding agencies in the field of health research in the world showed that a 1-year time-span from calls' deadline to research start seems to be the rule for collaborative schemes with many beneficiaries requiring negotiation elements (this is in particular the case for the US National Institutes of Health centres of excellence).

163. (European Parliament, § 322) - Is dissatisfied that the FP6 did not attain the objective of stronger participation of private participants, in particular SMEs; shares the Court's view that some provisions actively discouraged their participation; on the whole, takes the view that the legal provisions and rules (including model contracts and guidelines) are excessively complex and in themselves clog up the effective and efficient implementation of research policies.

Commission's response:

Several measures were introduced in FP7 to simplify SME participation: The reimbursement rates and the flat rates for indirect costs for SMEs were considerably increased in FP7 in comparison to FP6. The introduction of thresholds for ex-ante verification of financial capacity and the revised set of protective measures for financially weak participants (no more bank guarantees, blocked accounts or reduced pre-financing) took some financial and administrative burden from SMEs and are particularly helpful for young start-ups. The introduction of thresholds for providing certificates on financial statements reduces the administrative burden for financial reporting. In some thematic areas under the specific programme "Cooperation" calls with specific topics for projects

with obligatory SME participation were implemented. As foreseen in the Small Business Act (COM(2008) 394), SMEs participating in an FP7 project keep their SME status (and the 75 % funding rate) during the lifetime of the project, even if they grow during the project above the thresholds in the SME definition.

164. (European Parliament, § 323) - Observes that the focus of evaluations is placed on "input" checks rather than output assessments; shares the Court's view that the proper definition of specific, measurable, achievable, relevant and timed (SMART) objectives at the outset of the project is a key element for the purposes of determining its progress and eventual success; stresses that reporting requirements have to be designed as a purposeful tool for monitoring and assessing progress in the integration and material progress and must not be used as a means of sanctioning or interfering with the coordinator's other discretionary managerial activities as long as they are in line with the legal provisions.

Commission's response:

The Commission's research evaluation system addresses issues related to rationale, implementation and achievements. In this context, 'achievements' covers both short-term outputs as well as the longer-term impacts of the research activities.

Concerning SMART objectives, it is challenging, in particular given the uncertainty of research, to ensure all objectives fit precisely within the strict definitions of SMART criteria.

On the question of project reporting, reporting procedures were revised under FP6, and have been further improved for FP7 (e.g. periodic reporting will be simplified; interim questionnaires have been suppressed; final reporting will become more useful, notably with regard to the collection of data on project implementation and results).

165. (European Parliament, § 324) - Regrets that in most cases sustainable integration extending beyond the initial funding period could not be achieved and that, in the Court's assessment, the initial funding period of five years proved to be unrealistic; supports the proposal to apply highly competitive and selective criteria to the prolonged funding of NoEs that claim to be able to achieve self-sustainability.

Commission's response:

The Commission's view is that some 'Networks of Excellence' have been less successful than others but several NoEs reached self-sustained integration. This is normal given the wide range of areas covered, the various participants in dozens of different projects, the realities of collaboration in consortia etc. On their side, the IPs were quite successful, for example, in the areas of energy and transport industrially led demonstration IPs. Many projects have led to market deployment and replication after the successful end of the FP6 contracts.

166. (European Parliament, § 325) - Notes with interest the expert group's proposal to explore the possibility of coordinated calls between ERA-NETs and the FP7 combining national and Community funds as well as all measures to enhance the

transparency and accessibility of the CORDIS database so as to ensure an exchange of research results in the ERA (exchange of best practice examples).

Commission's response:

Combined ERA-NET and FP7 calls, combining national and community funding, exist since 2008, when the new FP7 ERA-NET Plus instrument started being used by several networks of European research programme managers and programme owners. A recent report by independent experts examined the first 9 such ERA-NET Plus concluding that the mechanism appears well suited to implement joint calls combining national and FP funding, e.g. in the framework of the recently launched Joint Programming Initiatives.

Since this spring, the Netwatch portal (<http://netwatch.jrc.ec.europa.eu/nw/>) presents all joint calls currently funded under the ERA-NET scheme, providing a transparent access for researchers to all these calls, in addition to the national portals and web-services. The portal also presents a toolbox of best practices developed by European programme owners and managers in the joint activities undertaken through ERA-NET support, as identified and synthesized by the supporting ERA Learn learning platform action <http://netwatch.jrc.ec.europa.eu/nw/index.cfm/static/eralearn/eralearn.html>.

167. (European Parliament, § 326) - Is deeply concerned by the fact that the application of the Commission's audit strategy for the FP6 has already resulted in two court cases initiated by former participants; stresses that reliability is the basis for any long-term cooperation and calls once again on the Commission, with a view to ensuring legal certainty, to refrain from recalculating the financial statements of projects under the FP6 that it has already approved and settled, by applying new interpretations to the eligibility criteria for costs established in the General Conditions (Annex II) of the FP6 model contract ; urges the Commission to reinforce its efforts to find a solution, in particular by simplifying the recovery procedures through the use of appropriate flat-rate procedures and taking into account the good faith and legitimate expectations of beneficiaries, and expresses its desire for a solution-based dialogue.

Commission's response:

The Commission has devised a control strategy aimed to ensure the legality and regularity of the 6th Framework Programme on a multiannual basis for the detection and correction of any errors which could not be identified before making the payment. This is achieved by ex-post auditing and thoroughly recovering any amount found to be overpaid to the audited beneficiaries, even for non-audited contracts.

The re-calculation of the financial statements of projects is a necessary condition to correct the detected systematic errors likely to affect non-audited contracts. The acceptance of this particular request would therefore mean that amounts receivable would not be recovered. The Commission does not apply new interpretations to the eligibility criteria for costs established in the General Conditions (Annex II) of the FP6 model contract. The control system is such that the administrative burden for the beneficiaries has been lowered before payment under the condition that costs may be checked for their eligibility after payment.

This is done during ex-post audits. Ex-post audits may therefore reveal that the contractor's interpretation of the rules with regard to their eligibility was incorrect, but this cannot be considered a new interpretation.

The Commission adopted on 15 December 2009 a Communication on the simplification of recovery process (SEC(2009)1720) that provides the possibility to resort to a flat rate to determine the outstanding debts and considers certain charges related to personnel (direct taxes and social charges) as eligible. This Communication confirms the Commission's will to look for solutions.

Lastly, it is pointed out that it is not the Commission's audit strategy for the FP6 as such that has resulted in two Court cases. The initiation of the cases was triggered by the fact that audits have identified ineligible items for which recovery orders were launched. The fact that this happened with important and large participants also worries the Commission.

It is recalled that, if contractors are confronted with matters of eligibility when establishing their cost statements, they can contact the Commission services, which are always available to give their view on matters of eligibility before payments are made, therewith avoiding any recovery process.

168. (European Parliament, § 327) - Asks the Commission to find solutions that ensure reliability and mid-term continuity in the implementation and planning of framework programmes, notably with a view to the FP8, and, in particular, to homogeneously apply fixed deadlines and firm rules of procedure.

Commission's response:

The Commission is committed in ensuring continuity in the implementation of the Framework programmes. In this regard, the Commission has already started with the preparation of the next framework programme. As example, the Commission Communication on Simplification ("Simplifying the Implementation of the Research Framework Programmes" (COM(2010)0187)) presents options for profound changes of the funding model towards a result-based approach using individual lump sums for whole projects. It also proposes a number of principles such as the acceptance of the beneficiaries' accounting methods.

Special report No 9/2009 on the efficiency and effectiveness of the personnel selection activities carried out by the European Personnel Selection Office

169. (*European Parliament, § 328*) - The European Parliament encourages the European Personnel Selection Office (EPSO) to take into account the Court's recommendations in its Development Programme (EDP).

Commission's response:

EPSO has accepted all of the Court's recommendations in its audit report. Some have already been implemented, the others are about to be introduced.

170. (*European Parliament, § 329*) - The European Parliament takes the view that EPSO and all EU institutions should improve their communication to citizens about the concept of an impartial European civil service and should enhance the image of the EU as an employer.

Commission's response:

Several initiatives, including EPSO's new website, have taken up this recommendation. For example, notices of competition have been simplified and are published in 23 languages. Their logical structure has been improved to make them easier to administer and to improve the institutions' communication and image, given that the notice of competition is often people's first contact with the institutions.

171. (*European Parliament, § 330*) - The European Parliament points out in this context that EPSO should also aim at improving its communication with the public administrations in the Member States in order to exchange best practices in the areas of the provision of information/advertising to the public and of promoting job opportunities in a targeted manner so as to bring them to the attention of professionals; considers that similar communication should be undertaken with relevant international organisations.

Commission's response:

As part of the 'Attractiveness and Diversity' plank of its development programme, EPSO is taking a number of steps, for example extra, targeted publicity in the Member States and campaigns to raise awareness among potential candidates.

172. (*European Parliament, § 331*) - The European Parliament is convinced that improving cooperation with universities could be beneficial in the long term by, on the one hand, providing the EU institutions with desirable employees and, on the other hand, by assisting graduates in enhancing their career options.

Commission's response:

EPSO is developing its external communication strategy to include actions that are directed at raising the profile of EU jobs among the various target groups, e.g. universities.

Competitions for administrators at grade AD5 may be advertised as graduate trainee schemes. The manner of implementing this would be developed in conjunction with the Institutions.

173. (European Parliament, § 332) - The European Parliament encourages EPSO to continue its efforts to diagnose and prevent the geographical imbalances amongst candidates and subsequently among the laureates.

Commission's response:

The geographical imbalances result essentially from factors outside EPSO's control, such as the economic situation in the Member States, the perception of the European Union and relative salary levels. EPSO is well aware of the institutions' statutory obligation to recruit their staff from a broad geographical base. Working with the institutions, EPSO continuously monitors the geographical composition of competitions and takes appropriate measures when the number of candidates from a particular Member State is felt to be inadequate in relation to its population. Particular measures include extra, targeted publicity in these Member States and campaigns to raise awareness among potential candidates.

174. (European Parliament, § 334) - The European Parliament takes the view that EPSO should improve the administration of the laureates' waiting lists by providing them with information on current vacancies in order to facilitate their final recruitment; at the same time, considers that efforts should be made to reduce the time spent by successful candidates waiting for employment.

Commission's response:

In an effort to introduce greater transparency, EPSO has already implemented a tool allowing candidates to monitor on-line their status on the reserve list and their availability to Institutions. In addition, successful candidates are now being advised as to the sequence of events for recruitment, including timing and practicalities and they receive a full explanation of the flagging system. Discussions are ongoing with the Institutions in order to give access to the laureates to certain vacancy notices.

The timing of their recruitment is the sole responsibility of the Institutions.

175. (European Parliament, § 336) - The European Parliament calls on EPSO to avoid any ambiguity in competition notices and encourages EPSO to review its procedures for verifying compliance with eligibility requirements.

Commission's response:

This recommendation has been accepted and has already been implemented. When EPSO was reorganised in April 2008 an internal quality control function was introduced. At the same time, external quality control was improved on EPSO's initiative, both at the level of translation with DGT and in terms of linguistic checks with the departments of OPOCE.

176. (European Parliament, § 337) - The European Parliament calls on EPSO to improve its appeal procedures, e.g. by assigning different panels in the first and second instance.

Commission's response:

Each competition notice contains a separate section on appeal procedures including the formalities to observe. There are currently four possible levels of appeal: request for review, compliant pursuant to Article 90 of the Staff Regulations, petition to the European Ombudsman and petition to the Court. Although it is not always possible to advise candidates on the most appropriate means of redress to challenge a decision of EPSO or the Selection Board, guidance is given inter alia by highlighting that individual Selection Board decisions based on assessment can only be changed by the Appointing Authority or the Civil Service Tribunal in case of a manifest error of appreciation.

Furthermore, EPSO introduced in 2009 an internal review mechanism seeking to advise Selection Boards in the best possible way to deal with problematic issues including better ways of communicating decisions to candidates and thus preventing a large number of complaints.

As an EU inter-institutional office EPSO is obliged to give effect to each ruling of the EU Courts by executing the measures imposed by the Courts.

177. (European Parliament, § 338) - The European Parliament notes that there are several cases pending against EPSO before the Civil Service Tribunal in connection with failures in the selection procedure (in particular on the issue of languages); takes the view that, once these cases are concluded, they should provide lessons to be learned and should be incorporated into the EDP by EPSO.

Commission's response:

As an EU inter-institutional office EPSO is obliged to give effect to each ruling of the EU Courts by executing the measures imposed by the Courts. In addition, EPSO has always changed its practices where general problems were identified by the Civil Service Tribunal. Further to one ruling of the CST in 2008, EPSO introduced new evaluation grids of written and oral tests that are communicated to candidates at their request since early 2009.

Special report No 10/2009 on information provision and promotion measures for agricultural products

178. (*European Parliament, § 340*) - Urges the Commission to specify the policy objectives, bearing in mind the need for consistency between stated ambitions and the committed budget, and to express these objectives in a SMART way, as well as to define and monitor suitable performance indicators;

Commission's response:

The Commission is taking the requested action.

Though the Commission considers that the four objectives as set out in Council Regulation (EC) No 3/2008, as well as the specific objectives for the internal market for each of the various products laid down in Annex I of Commission Regulation (EC) No 501/2008 are already "SMART," it will certainly continue to further develop the objectives of the policy.

To this end, the Commission has already set up an Advisory Committee on Promotion with the aim of defining an overall strategy of and to better complement the various existing promotion measures. The input of this advisory committee is feeding the reflections on the strategy for the promotion policy for agricultural products which will be an important element of the Commission Communication on the future of the CAP to be adopted in November 2010.

179. (*European Parliament, § 341*) - Calls on the Commission to continue the improvements to the selection procedure, in particular by maintaining the requirement to include in proposals information concerning the expected impact of the measures in question and on the manner in which that impact will be gauged;

Commission's response:

The requested action has been taken.

The Commission has continued to improve the selection procedure by putting the emphasis on good evaluation methodology in each programme. A revised version of document AGRI/63454/2007 has been prepared by the Commission services and is for the sake of clarity and precision subdivided in two parts specifically intended for the preparation of programmes and their posterior evaluation.

Special report No 11/2009 on the sustainability and the Commission's management of the LIFE-Nature projects

180. (*European Parliament, § 345*) - Invites the Commission to review its selection model in order to prioritise LIFE-Nature project proposals which can provide an assurance as to the continuity of results;

Commission's response:

When selecting LIFE-Nature proposals, the Commission does prioritise proposals which can give assurance as to the continuity of results (i.e. this is one of the main criteria considered, though not the only one). The Commission has taken steps to make the sustainability criterion more visible for the Nature and Biodiversity component. Relevant text has been added to both the Application Guidelines and the Evaluation Guide.

181. (*European Parliament, § 345*) - Suggests to the Commission that it consider separating the management of the 'Nature' and 'Environment' strands;

Commission's response:

The management of the Nature and Environment strands of the LIFE+ programme is now done by separate units.

182. (*European Parliament, § 346*) - Urges the Commission to cooperate closely with the European Environmental Agency and the European Topic Centre on Biological Diversity in defining the appropriate criteria and indicators for the selection of proposals as regards their sustainability as well as to take the necessary initiatives to improve project monitoring in respect of the results achieved, and to develop appropriate indicators and criteria for monitoring project outcomes;

Commission's response:

The Commission has already developed indicators for all projects selected. The indicators for LIFE Nature & Biodiversity projects are quite robust. They are currently being analysed for the first two years of LIFE+. The Commission is also studying the possibility of including these indicators in its main database (Butler) so as to complete the existing set of data already available for all LIFE Nature projects since 1992. Further developments may be planned for the long term, but no additional short-term action is currently foreseen.

183. (*European Parliament, § 347*) - Invites the Commission to review its communication strategy, paying particular attention to the dissemination of relevant information and lessons learned, and to ensure that beneficiaries are required to provide more technical details concerning the methods used, lessons learned and best practices identified;

Commission's response:

The Commission welcomes the Court's recommendations on disseminating more technical information and lessons learned, noting that it has significantly improved its communication strategy in the past and will continue to do so, inter alia by making more information available on the LIFE Programme website, and by organising thematic workshops and EU-wide meetings to promote exchange of experience.

184. (European Parliament, § 349) - Calls on the Commission to introduce a follow-up scheme for post-LIFE funding in order to assess the effectiveness of the projects financed and to ensure the sustainability impact of the EU funding after the closure of the projects;

Commission's response:

The Commission has set up a mechanism for carrying out more systematic ex-post visits to projects since 2009. The Commission is currently reviewing this mechanism in order to strengthen it and has increased the number of ex-post missions (to around 26 ex-post visits in a 12-month period).

185. (European Parliament, § 350) - Calls on the Commission to develop appropriate measures to resolve the existing legal issues and implementation constraints regarding the long-term follow-up of the projects;

Commission's response:

The Commission, as agreed, has investigated the possibility, legality and opportunity of establishing post-contractual obligations for the “after-LIFE funding”, going beyond the existing ones, to include legal obligations on beneficiaries to maintain project results beyond the closure of the project. The conclusions are negative and the Commission deems it is not feasible, opportune nor cost-effective to modify the grant agreement to include such post-contractual obligations.

The Commission will concentrate its efforts on securing the long term sustainability of project results by way of using the tools presently available and by developing additional tools as agreed in response to the other recommendations formulated by the Court of Auditors in its report.

Special report No 12/2009 on the effectiveness of the Commission's projects in the area of Justice and Home Affairs for the western Balkans

186. (*European Parliament, § 352*) - Recalls that the Commission ensures the management of projects in the field of justice and home affairs in a difficult political and institutional environment; taking into consideration the Court's conclusions showing that the investment projects were more successful than the institution-building projects, expects from the Commission a significant strengthening of the link between projects aimed at the reinforcement of institutional capacities and investment projects in the region concerned;

Commission's response:

The Commission generally combines equipment and infrastructure investment with institution- and capacity-building. The provision of equipment and infrastructure is combined with support for training and organisational reforms.

Within this context, the history of implementation of several Institution Building projects shows that the Commission has repeatedly and steadily attempted to exert a positive influence in order to foster the sustainability of the projects.

187. (*European Parliament, § 353*) - Agrees with the Court that the appropriation of local actions and projects represents a determining factor for success in strengthening the rule of law, and also considers that the lack of commitment and ownership at local level weakens the sustainability of the projects; calls on the Commission to ensure that the assistance provided is accompanied by a strong will on the part of the beneficiaries actively to encourage the institutional reforms and to increase the involvement of the beneficiaries in the projects;

Commission's response:

The Commission has learned from past experiences and now acts according to a formalised approach which sees the beneficiary in the driving seat of the assistance process, taking full responsibility for the anticipated objectives, methodologies and results.

Further enhancement of the projects' ownership by the beneficiaries is a priority under IPA.

188. (*European Parliament, § 354*) - Considers, like the Court, that EU aid in the Western Balkans is generally effective, but that real risks exist regarding the sustainability of projects; notes with satisfaction that the sustainability and ownership of projects should improve under the IPA programme due to project conditionalities and co-financing by the beneficiaries; is of the opinion that maintenance plans would further increase the durability of projects, and asks the Commission to consider introducing them as a prerequisite for obtaining EU financial support;

Commission's response:

Beneficiaries are now involved in the procurement process from project preparation to the evaluation of bids (where a representative of the beneficiary is always present as a voting member).

Since the 2007 programme, in order to enhance sustainability and ownership of projects, IPA project fiches include specific conditionality on infrastructure maintenance.

189. (European Parliament, § 355) - Expects the Commission to ensure scrupulously that interventions related to infrastructure in the field of the integrated management of the borders are now designed and implemented in such a way as to encourage regional cooperation;

Commission's response:

The Commission considers that a joint border crossing point can enhance cooperation between the two countries concerned, and as such fits within the global approach related to bilateral cooperation at the border.

190. (European Parliament, § 356) - Calls on the Commission to do its utmost to ensure better cooperation between the various donors on the spot and more efficient coordination of their actions;

Commission's response:

In endeavouring to coordinate donors, the Commission maintains regular contacts for policy and financial assistance coordination with the Council of Europe, the Venice Commission, UN High Commissioner for Refugees, International Office of Migration, International Criminal Tribunal for the former Yugoslavia, and bilateral donors. Meetings are held regularly between the EC delegations and the Member States' Embassies for coordinating their bilateral financial assistance with that of the Community. The Commission organised conferences in autumn 2008 and in April 2009 with the main donors, aimed at improving donor coordination methodologies. The last conference held in October 2009 has mainly focused on the practical aspects of coordination on the ground.

Moreover, on the ground, the Regional Cooperation Council took over during the first half of 2008 the role of the former Stability Pact as facilitator of regional donor cooperation in the JHA area and is organising conferences to this end. Donor cooperation meetings are also organised through regional initiatives.

191. (European Parliament, § 357) - Considers that the visibility of the EU as the largest donor in the region needs to be significantly improved so as to match its share of contributions; awaits a proposal from the Commission in that regard;

Commission's response:

Article 51 of the IPA implementing regulation provides about the information concerning the assistance related to the IPA regulation.

Implementation shall be the responsibility of the final beneficiaries and shall be funded from the amount allocated to the relevant programmes or operations, in accordance with an agreement to be made prior to the start of implementation.

The Commission has also enhanced its information and communication effort concerning the use of IPA funds, addressing the public in both the EU and the enlargement countries. IPA assistance is extensively covered on the enlargement website on Europa, including reader-friendly factsheets on the most representative projects. The outreach of the website was enhanced, notably thanks to greater use of multilingualism. Overall, in 2009, 120,000 hits were registered for the Enlargement on Europa site. The Commission also developed material for use in public events such as a popular general brochure on IPA, roll-ups on IPA, as well as specific printed factsheets on country specific themes or on cross-cutting instruments such as the Western Balkans Investment Framework or the European Fund for South-East Europe. The Commission also organised visibility events about the EU's pre-accession assistance, notably the conference "The Western Balkans - overcoming the economic crisis" in December 2009 with the participation of several ministers and top IFI executives. Each of these events included media relations and gave rise to numerous reports by journalists.

Special report No 13/2009 on delegating implementing tasks to executive agencies: a successful option?

192. (*European Parliament, § 359*) - The European Parliament regrets that according to the audit the Commission's control over the agencies' activities is not fully effective, and stresses the need to develop new indicators enabling the measurement of the Agencies' performance by the supervisory DGs to be enhanced.

Commission's response:

The Commission sees its supervision responsibility as a broader task which it fulfils with due diligence. The combination of numerous and regular management and supervising mechanisms, including the Steering Boards of the executive agencies composed of high ranking Commission officials, the appointment of the Directors and the management staff by the Commission, as well as the detailed reporting requirements allow the supervisory DGs to closely monitor the performance of the Agencies. A revision of the number of indicators and the development of new indicators should allow the supervisory DGs to improve the performance measurement of the Agencies.

Guidelines on performance indicators, including a number of key performance indicators, were given to parent DGs and agencies in March 2010. The Commission expects these guidelines to be applied in the 2011 work programmes of the agencies.

193. (*European Parliament, § 363*) - The European Parliament requests the Commission to provide information on the different contractual time periods applicable for the different contractual tasks and the duration of the different contractual employments in the executive agencies.

Commission's response:

The Commission will prepare the information as requested and transmit it to the CONT Committee before the end of 2010, together with the information on staff numbers.

194. (*European Parliament, § 364*) - The European Parliament requests the Commission to take measures to improve and simplify the recruitment of the agencies' staff; moreover, requests the Commission to take the specific recruitment needs of the executive agencies into consideration.

Commission's response:

The simplification of the recruitment process introduced in the framework of the EPSO Development Programme will apply to institutions and agencies alike.

195. (*European Parliament, § 365 (1st part)*) - The European Parliament requests the Commission to present detailed information on the number of contract staff employed in the executive agencies and the tasks assigned to them and the salary

levels corresponding thereto, as well as an overview on how much experience is required for each employment grade.

Commission's response:

The information will be sent to the CONT Committee before the end of 2010.

196. (European Parliament, § 365 (2nd part)) - The European Parliament requests the Commission to present information on the different cases in which suitable staff could not be rapidly found and on how much delay occurred in the staff recruitment, as well as an analysis of the reasons for the delay.

Commission's response:

Delays in recruitment of contract agents are due to the creation of this category of staff as of 01/05/2004, precisely at the time when the first executive agency was created. These delays were also encountered by Commission services. There is no particular additional delay from the perspective of executive agencies (other than those relating to either massive recruitment at start-up phase or needs for specific profiles.

With regard to the duration of filling the Directors' posts, the Commission would like to recall that there are only few Directors' posts and recruitment of senior managers is a delicate process.

As of today, the delays are back to normal.

197. (European Parliament, § 366 (1st part)) - The European Parliament invites the Commission to collect and use reliable data on workload and productivity related to the delegation of tasks with a view to carrying out an impact assessment, both before and after externalisation.

Commission's response:

The Commission acknowledges that initial CBAs and financial statements did not always provide all possible workload and productivity indicators before externalisation and for the triennial evaluation pursuant to Article 25 of Council Regulation 58/2003. Improvements have been made in the more recent CBAs, and the Commission will in the future go deeper into the assessment of workload and productivity. This will of course only be possible to verify the next time a task is delegated to an executive agency.

198. (European Parliament, § 366 (2nd part)) - The European Parliament invites the Commission to identify the success factors and conclusions which led to better results at the executive agencies and to apply the lessons learned to all programmes which continue to be managed by the Commission services.

Commission's response:

The success of the executive agencies lies in their capacity to recruit extensively contractual agents (up to 75%) with contracts of much longer duration than in the

Commission; to target their recruitment to specific skills; and to specialise on recurrent executive tasks. These advantages are inherent to the concept of the executive agencies and can therefore not be reproduced within the Commission. Firstly, the Commission has to maintain the overall current balance of staff which includes predominantly permanent officials and may only employ contractual agents for maximum of 3 years. Secondly, in order for the Commission to focus on its strategic and policy tasks as an institution, the recruitment profile (more "generalist") has to be different from that of the executive agencies.

199. (European Parliament, § 366 (3rd part)) - The European Parliament invites the Commission to improve the supervision of the agencies by setting results-oriented and targeted objectives, using a limited number of relevant performance indicators, which should form the basis for objectives in respect of coming years.

Commission's response:

The Commission sees its supervision responsibility as a broader task which it fulfils with due diligence. The combination of regular formal meetings and the detailed reporting requirements allow the supervisory DGs to closely monitor the performance of the Agencies. A revision of the number of indicators and the development of new indicators should allow the supervisory DGs to improve the performance measurement of the Agencies.

As regards timing, the adoption of the Executive Agencies' Annual Work Programmes should be speeded up through earlier adoption of the DGs' Financing Decisions. Instructions to this effect, as well as on the content of agency Work Programmes, were given to parent DGs and agencies in March 2010. At the same time, instructions were also given on performance indicators and a number of key performance indicators were defined for further use by parent DGs and agencies. The Commission expects these guidelines to be applied in the 2011 work programmes of the agencies.

Special report No 14/2009 entitled "Have the management instruments applied to the market in milk and milk products achieved their main objectives?"

200. (*European Parliament, § 367*) - Expects the Commission, in view of the massive fluctuations and disparities on the world market, to take effective precautionary and compensatory measures to strengthen small and medium-sized businesses and to promote security of food supply through a wide range of businesses within the European Union;

Commission's response:

The Commission is taking the requested action.

The Commission has taken all the necessary measures in the framework of the 2009 dairy crisis, such as the prolongation of the buying in period for the intervention of butter and skimmed milk powder, the prolongation of the period in which private storage aid is applicable for butter, and the temporarily re-introduction of export refunds.

Moreover, the High Level Group on Milk has finalised its report on 15 June 2010 with seven recommendations on contractual relations between milk producers and milk processors; collective bargaining power of producers; the possible role of inter-branch organisations in the dairy sector; transparency in the dairy supply chain; market measures and futures; marketing standards and origin labelling; innovation and research. A copy of the report has been sent to the Council and the Agriculture Committee of the European Parliament. The Council will discuss the recommendations in July and the Commission is expected to put forward legislative proposals before the end of the year, considering medium to long term measures that address the lessons learned from last year's crisis, with a view to better structuring the sector as a whole.

201. (*European Parliament, § 369*) - Points out that the Commission should give a high priority to fair competition on the world market without dumping, so as to counteract the disadvantaging and financial annihilation of businesses by sudden fluctuations in world trade;

Commission's response:

The requested action has been taken.

One of the goals of the revision of the CAP was to improve competitiveness of the agricultural sector while keeping a safety-net at a low level which is only triggered in exceptional circumstances and no longer represent a structural outlet for farmers. This contributed to ensure market stability and fair competition on commodity markets. As a consequence, it is not justified to associate the Commission's actions with any type of "dumping" and "sudden fluctuations in the world markets" as shown by the extremely restricted and targeted use of our export support mechanisms.

202. (European Parliament, § 369) - Calls for the funding of appropriate marketing measures and market research studies in countries outside Europe, and points out that agricultural structures or their creation in developing countries must not be destroyed by the export of agricultural goods and accompanying market measures;

Commission's response:

The requested action has been taken.

Milk products already benefit from the information and promotion measures intended for third countries laid down by Council Regulation 3/2008 and Commission Regulation 501/2008. Studies of new third country markets, necessary for the expansion of the market outlet are specifically covered by this policy.

The EU has come a long way in making its Common Agricultural Policy (CAP) more development friendly. Export subsidies and domestic trade-distorting subsidies have been reduced drastically through the successive CAP reforms. In the case of milk, export subsidies have not been activated since November 2009. The EU has taken commitments under the Policy Coherence for Development to increase synergies between its development policy and other EU policies, including CAP.

203. (European Parliament, § 370) - Agrees with the Court that there is a need for continuing supervision of the development of the milk market, and calls for the Court's recommendations to be acted on, so as to identify inappropriate developments as they arise and counteract them with suitable measures at an early stage;

Commission's response:

The Commission is taking the requested action.

The Commission has continuously closely monitored the developments in the sector and will continue to do so in the future. As agreed in the context of the Health Check, market reports on the dairy sector will be submitted to Parliament and the Council in December 2010 and 2012. The High Level Group on Milk has finalised its report on 15 June 2010 with seven recommendations on contractual relations between milk producers and milk processors; collective bargaining power of producers; the possible role of inter-branch organisations in the dairy sector; transparency in the dairy supply chain; market measures and futures; marketing standards and origin labelling; innovation and research. A copy of the report has been sent to the Council and the Agriculture Committee of the European Parliament. The Commission is expected to put forward legislative proposals before the end of the year, considering medium to long term measures that address the lessons learned from last year's crisis, with a view to better structuring the sector as a whole.

Special report No 16/2009 on the European Commission's management of pre-accession assistance to Turkey

204. (*European Parliament, § 376*) - Underlines the Court's call for a robust methodology with which to determine the strategic objectives for which EU financial assistance is most needed; considers that the designated measures for achieving each strategic objective need to be clearly defined; requests the Commission to ensure that the various project proposals include specific, quantifiable, realistic and relevant objectives so that their contribution demonstrably achieves strategic objectives;

Commission's response:

During the ongoing revision of the Multiannual Indicative Programming Document (MIPD) 2011-2013, the Commission has taken measures in order to better define strategic objectives for EU financial assistance, for example by focussing assistance on certain key sectors. Moreover, in the annual programming exercise for the national programmes, the Commission now insists on coherent project intervention logic, which includes specific, quantifiable, realistic and relevant objectives, results and indicators as a condition for the financing of projects.

205. (*European Parliament, § 377*) - Criticises the fact that pre-accession assistance funds were allocated to Turkey despite the fact that there were missing indicators and that progress towards fulfilment of the accession criteria could not be measured; therefore calls for funds to be concentrated on projects which are relevant to accession, actually measurable and capable of being implemented;

Commission's response:

Since the introduction of the new Instrument for Pre-Accession (IPA) in 2007, the Commission has brought under way measures to improve the programming of funds, which was confirmed by the Court. As of IPA 2010, further measures were taken to improve project relevance, to include more measurable indicators and to insist on the readiness for implementation of projects selected for financing. During the ongoing revision of the Multiannual Indicative Planning Document (MIPD) and in future programming, the Commission will take further steps to improve the programming of funds.

206. (*European Parliament, § 378*) - Points out that, even though the Commission has introduced measures aimed at addressing many of the weaknesses in the Decentralised Implementation System, in particular since the introduction of the new Instrument for Pre-Accession Assistance (IPA 2007-2013), the Commission still has to address the remaining weaknesses in overall programming and performance management, as recommended by the Court; also expects the Commission to make the Turkish authorities aware of this fact so that project proposals are drawn up which would allow the strategic objectives relating to the financing of the European Union to be achieved within a realistic timescale; considers that the Commission should undertake new initiatives in order to improve the design and implementation of the projects by the institutions of the Decentralised Implementation System

(measures such as compulsory needs assessments and better scheduling of contracting arrangements);

Commission's response:

The Commission has held intensive discussions with the Turkish authorities to improve the quality and readiness of project proposals drawn up. Following a Joint Monitoring Committee in June 2010, the Commission has also issued additional recommendations on how to improve the implementation and monitoring of funds under the Decentralised Implementation System (letter of Michael Leigh of 2 August 2010). The Commission expects the performance to improve further, once these recommendations are taken on board.

207. (European Parliament, § 379) - Given the inability to measure progress towards accession goals; asks the Commission to carry out a more precise analysis of the goals and the efficiency of the Instrument for Pre-Accession Assistance, based on the remarks of the Court of Auditors, and to present this by 15 September 2010;

Commission's response:

The Commission will provide the requested information as part of the Annual IPA report for Turkey, which is to be presented in autumn 2010. As agreed with the Parliament, the delay for the requested presentation of the analysis was postponed until 15 October 2010.

208. (European Parliament, § 380) - Recalls the importance of an evaluation by the Commission of the entirety of the programme for pre-accession assistance to Turkey;

Commission's response:

The Commission is currently completing a Country Programme Interim Evaluation for Turkey which covers the 2005-2008 programmes. Further evaluations will be planned in the future.

European Development Funds

209. (*European Parliament, EDF §1*) - Welcomes the implementation of the Lisbon Treaty, particularly the creation of the office of High Representative of the Union for Foreign Affairs and Security Policy and the creation of the European External Action Service (EEAS); is concerned that the effectiveness of European development aid could be hindered by the fragmented way in which it is managed, and points out that improvements aimed at better management of the EDFs must be maintained and not be blocked; calls on the Commission to give it a description and detailed explanation of the operation of the new system.

Commission's response:

It is the intention of the Commission to ensure that the current level of management of the EDFs will at least continue.

The Commission has laid down a proposed governance system for the EEAS. This can be found in the proposed Regulation of the European Parliament and of the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as regards the European External Action Service (SEC(2010) 257 COM(2010)85 final of 24/03/2010).

The description of the management and control system of the EEAS will be submitted to Parliament in due course.

210. (*European Parliament, EDF § 2 & 41*) - Recalls and supports the Commission's undertaking that it will fully incorporate the EDF into the budget during discussions on the next financial framework; repeats its request to the Commission to keep its Committee on Budgetary Control fully informed concerning the preparation of this initiative; takes the view that incorporation of the EDF into the general budget of the European Union would make it possible to enhance the coherence, transparency and effectiveness of the EDF and to strengthen its oversight system;

Commission's response:

The Commission expects to resubmit the proposal for post 10th EDF budgetisation in the framework of the preparation of the new legislative proposals within external actions field for the next multi-annual financial framework.

The Commission will keep the European Parliament informed as regards the preparation of this initiative.

211. (*European Parliament, EDF § 3*) - Asks to be kept informed concerning the mid-term review due to be held for the Tenth EDF in 2010 and urges that the joint programming should be adequately strengthened to obtain a greater concentration and better coordination and division of work; takes the view that the implementation strategy for the Tenth EDF should focus on a limited number of areas, without excluding non-governmental organisations (NGOs) that are effective at local level and are of crucial importance for sustainable development, in order to avoid the

harmful effects arising from a proliferation of objectives; in this connection, calls on the Commission to verify whether management by the respective NGOs in the field is in fact more efficient and cost-effective than management by the Commission.

Commission's response:

The MTR of the 10th EDF national programming is being finalised internally to the Commission. The results in terms of performance of the ACP countries concerned will be communicated to the relevant stakeholders, including the competent commission within the EP and the JPA, before the end of 2010. The MTR is resulted in a limited adjustment of country strategies, showing that strategies decided in 2007 are still relevant.

As regards the progress towards a better concentration of aid (in line with the Code of Conduct on Division of Labour (DoL) adopted in May 2007), the MTR assessment results show that DoL amongst EU donors is progressing slowly (meaning for instance withdrawal from a certain sector or arrangements for delegated cooperation with another donor). Looking at ACP countries which are part of the EU Fast Track Initiative on DoL (18 in total), progress has been made in half of them (Burkina Faso, Ethiopia, Ghana, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia). Slow progress was a cause of concern for the European Commission and the Member States. As a result the Council adopted in November 2009 an EU Operational Framework on Aid Effectiveness where a number of concrete actions are listed to accelerate the Fast Track Initiative on DoL. For instance, in-country situation is now regularly assessed by the group of Member States Directors-General for Development in order to support and guide the process at local level.

In this context, the Commission believes that, indeed, joint programming should be reviewed and strengthened to obtain a greater concentration and division of work.

The Commission agrees with the key role that the NGOs can play at local level in sustainable development, but at this stage it can not verify the good practices in their management.

212. (European Parliament, EDF §4) - Repeats its invitation to the Commission, when fine-tuning its control strategy, to identify the point at which lack of results and the costs of control call for a policy change; in this connection looks forward to receiving the Commission report on the results of the tolerable risk/cost effectiveness studies on external action and the review of the EuropeAid control strategy, in good time for the 2009 discharge procedure.

Commission's response:

EuropeAid will continue to improve its supervisory and control systems with regard to the requests and recommendations issued by the Parliament and the Court. The Commission is presently studying the implementation of a Tolerable risk of error for external aid and will present a proposal in the beginning of 2011.

213. (European Parliament, EDF § 5) - Notes that the Court of Auditors, with the exception of the Commission's method of estimating the provision for costs incurred,

takes the view that the accounts reliably reflect the revenue and expenditure relating to the Seventh, Eighth, Ninth and Tenth EDFs; encourages the Commission to refine its method in the next few months for the discharge in respect of the financial year 2009.

Commission's response:

The Commission has refined its method of estimating the provision for invoices to be received. The Court's audit 2009 confirmed the correct application of this method and found the amount of the accrued charges disclosed in the financial statements to be free from material error.

214. (European Parliament, EDF §§ 7-8) - Deplores and finds unacceptable the fact that the Court of Auditors was not able to obtain all the information and documentation concerning 10 sampled payments to international organisations and that consequently it is not able to express an opinion on the regularity of expenditure amounting to EUR 190 000 000, i.e. 6,7 % of the annual expenditure;

Calls on the Commission to take a sufficiently firm line with international organisations and draw up an ad hoc calendar ensuring that requests for information will be dealt with on time, so as to support the requests of the Court of Auditors for information/documentation and to ensure that the financial and administrative framework agreement (FAFA) is respected.

Commission's response:

The Commission has firmly reminded the international organisations concerned about the necessity to respond on time to the requests emanating from the European Court of Auditors. A good example of timely cooperation between the Court and international organisations is the joint mission organised between the Court and the UN panel of external auditors to IAEA. The mission was organised at the request of the Court.

215. (European Parliament, EDF § 10) - Welcomes the speedy implementation of the Tenth EDF and the Commission's generally good performance, as regards commitments and payments and the management of outstanding commitments; encourages the Commission to continue its efforts with regard to old and dormant outstanding commitments.

Commission's response:

The Commission has put in place a monitoring system in order to follow old and dormant commitments and close these projects as soon as it is possible. A special action concerning 8th EDF projects has also been launched.

216. (European Parliament, EDF § 15) - Welcomes the record levels of commitments which were reached in 2008 and the timely implementation of the Tenth EDF; stresses that speeding up implementation should not come at the expense of the quality of funded operations.

Commission's response:

Together with a quick implementation, the quality of funded operations is a key priority for the Commission and is ensured at all phases of the lifecycle of a project. Quality checks are performed during the design phase of each project through a peer review mechanism (Quality Support Group) as well as both during and after the implementation phase with the help of the Result-Oriented-Monitoring (ROM), internal monitoring, and evaluation.

217. (European Parliament, EDF §§ 16-17) - Notes with satisfaction that the Court of Auditors found that the advance payments were free from material error; deplores nevertheless the fact that the Court of Auditors found a material level of error affecting the amount of payments audited;

Can accept the argument that some of the errors (lack of invoices or other supporting documents), i.e. those relating to the occurrence of expenditure in Angola, can be explained by the particularly difficult conditions in which the audit was carried out in that country; stresses, however, that 47 % of the quantifiable errors relate to the eligibility of expenditure and therefore calls on the Commission to improve its control system so as to reduce errors ; draws the Commission's attention in this connection to the recommendation of the Court of Auditors that ex ante checks should be improved by focusing on key risks.

Commission's response:

The requested action is being taken. The Commission will also finalise soon a 'Financial Management Toolkit' for organisations implementing EU funded projects under EuropeAid's portfolio.

218. (European Parliament, EDF § 18) - Calls on the Commission, when the Financial Regulation is revised, to identify any procedural problems that it has encountered during crises and to present to Parliament an effective control procedure, particularly as regards the financing of emergency aid measures by Member States, that is flexible enough not to harm the flow of funds and that ensures the transparency of the projects undertaken.

Commission's response:

The requested action has been taken in the context of the proposal on trust funds for a revised Financial Regulation for the General Budget.

219. (European Parliament, EDF § 20) - Criticises the fact that, as in previous years, there are still significant weaknesses in the financial procedures and controls of implementing organisations, supervisors and National Authorising Officers (NAOs); welcomes nevertheless the efforts of EuropeAid and the delegations in particular to address those weaknesses; calls for those efforts to be stepped up in future and expects that future improvements expected in CRIS Audit will make a better result possible.

Commission's response:

The requested action is being taken. The Commission will finalise a 'Financial Management Toolkit' for organisations implementing EU funded projects under EuropeAid's portfolio. EuropeAid has also implemented further significant improvements to the audit methodology and IT tools and welcomes the recognition of the Court of Auditors on the substantial progress made in particular in relation to audit planning for 2010.

220. (European Parliament, EDF § 21) - Stresses that democracy and the right for people to live under conditions where their human rights are not violated must be integrated goals of the implementing organisations in countries where EDF support is distributed.

Commission's response:

EU approach to democracy and human rights is about supporting efforts of countries in progressing towards effective implementation of their human rights and democracy commitments. Democracy and human rights are part of the core values of the European Union. They are reflected in the European Consensus for Development which recommends systematic mainstreaming of these issues in all development instruments as well as in the Cotonou Agreement which foresees support to the efforts of ACP countries in these fields.

221. (European Parliament, EDF §§ 33-35) - Is very concerned at the risk of loss of institutional memory as a result of significant staff constraints (excessive turnover, and excessively high and increasing vacancy rates) disclosed in EuropeAid's annual activity report and expresses concern that the number of EuropeAid staff has continued to decline in comparison to funds committed;

Reiterates its concern that there is a risk that a shortage or inadequate allocation of staff or the unavailability of specific skills and knowledge will have an impact on the effectiveness of action taken and the quality of the controls, verification and monitoring;

Supports the intention expressed by the Commission to recruit additional external staff to increase numbers at headquarters and in the delegations for the management and control of the EDF; considers such an increase in staff to be all the more necessary because of the substantial increase in commitments under the Tenth EDF.

Commission's response:

The constant loss of knowledgeable and experienced staff due to the three years rule for contract agents combined with a shrinking external staff population is a major challenge for EuropeAid. Unfortunately, the maximum length of contracts results from the staff regulations which cannot be changed on EuropeAid's initiative, EuropeAid tries to minimise vacancies for contract agent positions as much as possible; timely, up-front training; intensified knowledge management (including the monitoring of handover situations). Besides, the commission requested in the 2011 draft budget the transformation of a limited number of appropriations for contract agents into posts, part of which should benefit

EuropeAid to mitigate the loss of institutional memory. Finally, the revised staff regulations in the framework of the creation of the EEAS, should allow for the rotation of contract agents having first been employed in a delegation towards the Head Office. Through this new system, they will be able to serve in HQ and Delegations. This should facilitate a better preservation of expertise both in HQ and in Delegations.

222. (European Parliament, EDF §§ 36-38) - Notes with satisfaction that the Court of Auditors has recognised EuropeAid's efforts to make significant improvements in its supervisory and control systems; supports the Commission in its determination to continue to improve the control systems' architecture;

Fully agrees with the recommendations of the Court of Auditors expressed in points 55(a) to (f) and 56(a) and (b) of the annual report on the EDFs;

Draws attention in particular, pending solutions to the lack of human resources, to the recommendation of the Court of Auditors on the need for the Commission to carry out a more structured risk analysis, to provide a more realistic assessment of the resources available when preparing the annual audit plans, and to closely monitor the implementation of the audit plans throughout the year.

Commission's response:

EuropeAid has implemented further significant improvements to the audit methodology and IT tools and welcomes the recognition of the Court of Auditors on the substantial progress made in particular in relation to audit planning for 2010.

223. (European Parliament, EDF § 39) - Points out that, in its Special Report No 18/2009, the Court of Auditors assesses EDF support for regional economic integration in East Africa and West Africa, to which a considerable proportion – over 50 % – of EDF funding is allocated, as only partially effective; calls on the Commission to take steps to implement the measures proposed by the Court of Auditors, particularly as regards coordinating with and ensuring coherence with regional organisations, providing sufficient staffing, coordinating regional and national strategies and providing a precise clarification of tasks, responsibilities and objectives.

Commission's response:

The Commission is taking the necessary action with regard to the recommendations of the ECA report 18/2009 notably through the development of a guide on the management of regional programmes.

224. (European Parliament, EDF § 47) - Calls on the Commission to provide more comprehensive information than when following up the resolution of 23 April 2009 on the specific procedures it has established with the EIB with a view to coordinating the two institutions' efforts to achieve EU objectives relating to development, and on the efficiency of those procedures.

Commission's response:

In the context of the mid-term review of the external mandate of the EIB, the need to strengthen the development aspect of the EIB's activities has been emphasised. The Commission's proposal to Council and Parliament for a new mandate decision contains concrete provisions to this effect. The Commission and the EIB will also continue to strengthen consistency of EIB external actions with EU external policy objectives through regular and systematic dialogue and early exchange of information on strategic documents such as country and regional strategy papers which define the areas of EIB intervention as well as those of the Commission.

Requests to the Commission concerning the agencies

225. (*European Parliament, P7_TA(2010)0139 - § 3*) - The European Parliament notes that many agencies record permanently high cash holdings; calls on the Commission and the agencies to work on ways of bringing the cash holdings down to an acceptable level; asks the Commission against this background also to examine alternative common plans for efficient management of cash holdings and to draw up proposals with a view to changing the structural framework conditions in order to achieve more efficient management of cash holdings; but notes also that the agencies receive payments after the authorised work has been concluded and paid for (work undertaken by rapporteurs, for example) and therefore some cash holdings are essential in each case. [This recommendation appears in the individual EP resolutions concerning the following agencies: CDT, ECDC, ECA, EFSA, EMCDDA, EMEA, EMSA, ENISA, EUROJUST, FRONTEX, ITER and SESAR].

Commission's response:

The Commission has taken the recommended action.

The Commission attaches great importance to limiting agency cash balances to duly justified requirements, in accordance with the principle of sound financial management. This is why the Commission amended the Framework Financial Regulation No. 2343/2002 by inserting Article 15(5), in force since 13 July 2008, which reads:

'5. The Community body shall implement rigorous cash management, taking due account of assigned revenue, in order to ensure that its cash balances are limited to duly justified requirements. With its payment requests it shall submit detailed and updated forecasts on its real cash requirements throughout the year, including information on assigned revenue.'

All agencies have introduced this provision in their specific financial regulations (2009/2010). The payment of the Community contribution to the agencies from the budget follows this rule. By consequence, payments made by parent DGs are based on requests supported by a detailed and updated cash-flow forecast.

According to Article 50 of Framework Financial Regulation, requests for payment of the community contribution to agencies are presented to the parent DGs under terms and at intervals agreed with them. To implement this Article, parent DGs have adopted or are in the process of adopting the terms and the intervals for the submission of requests for payments to the Commission.

The partially self-financed Agencies, namely the European Medicines Agency (EMA), the European Chemicals Legislation and Chemicals Agency (ECHA) and the European Aviation Safety Agency (EASA), have to deal with a higher level of uncertainty than agencies fully financed by a contribution from the EU budget. Indeed, these agencies encounter some difficulty in applying the principle of rigorous cash management, due to the difficulty in forecasting precisely when this other revenue (for instance deriving from fees from industry) will actually be

received. Their financial situation in terms of cash management is therefore more complex.

226. (European Parliament, P7_TA(2010)0139 - § 6) - The European Parliament ... requests the interinstitutional working group on agencies to tackle the issue [host agreements] and possibly to define common standards for host agreements.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

227. (European Parliament, P7_TA(2010)0139 - § 10) - The European Parliament notes that some of the agencies have very similar remits; calls accordingly for the interinstitutional working group on agencies to consider whether some agencies should work closely together or even be merged.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

228. (European Parliament, P7_TA(2010)0139 - § 11) - The European parliament notes, furthermore, that the small agencies (with fewer than 75 staff members, such as the European Police College, the European Network and Information Security Agency, the European Agency for Safety and Health at Work, the European Union Agency for Fundamental Rights and the European GNSS Supervisory Authority) are faced with serious efficiency problems; calls accordingly on the interinstitutional working group on agencies to look into the feasibility of determining the critical mass of agencies and setting up common services providing, for example, assistance with procurement procedures, human resources procedures and the budgetary process.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

229. (European Parliament, P7_TA(2010)0139 - § 15) - The European Parliament calls on the interinstitutional working group on agencies to consider whether the Commission should have a blocking minority when votes are taken by management boards, with a view to ensuring that the right technical decisions are taken for the agencies.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

230. (European Parliament, P7_TA(2010)0139 - § 16) - The European Parliament calls on the interinstitutional working group on agencies to look into the qualities and skills which a director requires in order to run an agency effectively and secure

access to expert advice on the EU's budget regulations from the moment the agency is set up.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

231. (European Parliament, P7_TA(2010)0139 - § 17) - The European Parliament calls on the Commission to step up its efforts to provide all necessary administrative assistance to the relatively small agencies, in particular those that were set up recently.

Commission's response:

Special additional assistance to small agencies is being discussed by the interinstitutional group on agencies. It is expected that the group will provide its conclusions by the end of 2011.

232. (European Parliament, P7_TA(2010)0140 - § 5) - As regards CEPOL, the European Parliament wonders whether consideration should not be given to attaching the College to Europol.

Commission's response:

The requested action has been taken. Within the framework of the Stockholm programme the Commission proposed that Europol could take over the training role of Cepol. The proposal was rejected by the Member States.

The Commission would like to add also that corrective measures have been already taken to address the situation in CEPOL: two new managers were appointed in August 2009, a Head of Administration who should coordinate relations with DG HOME and budgetary issues in particular and a Head of Programme who is responsible for the policy implementation. In February 2010 the Governing Board adopted the new financial rules, performance indicators are being developed to allow the follow up and measuring of CEPOL's core business both on qualitative and quantitative plans in the perspective of accountability and a policy of excellence towards the Commission, an Internal Audit Panel will be set up.

On the basis of these progresses achieved the Commission is not considering anymore the option of a possible fusion of the College with Europol.

233. (European Parliament, P7_TA(2010)0140 - § 19) - As regards CEPOL, the European Parliament calls on the College and the Commission to communicate the findings of the OLAF investigation to the discharge authority without delay

Commission's response:

OLAF completed its investigation into CEPOL in December 2009 and transmitted its findings to the appropriate authorities in the UK. OLAF officials gave an oral briefing to the budgetary control committee during the 2008 discharge procedure.

234. (European Parliament, P7_TA(2010)0140 - § 22) - As regards CEPOL, the European Parliament expects, as a first step, the Governing Board swiftly to adopt an action plan to meet the objectives set out in the annex to this resolution; asks the College's Director, in cooperation with the IAS and the parent directorate-general (DG), then to draft specific measures and a timetable for implementation of that plan and to submit them to the Governing Board for adoption; calls accordingly on the IAS and the parent DG to provide all the assistance required in order to identify indicators that will enable the progress made in implementing the measures taken by the College to be measured at regular intervals; expects the College to communicate the specific measures and indicators adopted to the discharge authority by 30 June 2010

Commission's response:

The requested action has been taken. Administrative Multi-Annual Plan "A strategic approach to the improvement and maturing of the Administration of CEPOL 2010 – 2014) has been developed to describe the strategy that will be implemented within CEPOL to improve and mature the administration of the Agency. It has been developed out of recognition of the need to improve the administration of the Agency and in response to the request if the CONT Committee following the decision to postpone the discharge decision on the 2008 CEPOL accounts. The document contains specific measures and a timetable for implementation of corrective actions. The Governing Board adopted this action plan at its 20th meeting on 25 May 2010. The document has been submitted to the Committee on Budgetary Control on 3 June 2010.

235. (European Parliament, P7_TA(2010)0101 - § 3-4) - As regards the European Agency for Reconstruction, the European Parliament stresses that the relevance of the five cross-border cooperation projects audited by the Court of Auditors (worth a total of EUR 528 000 – 0,12% of the available operational budget) was challenged on the grounds that the Evaluation Committee, comprising the Agency and a Commission delegation, had not taken account of the issues raised by local assessors; [...] calls, now that the Agency's work has finished, for an evaluation of the funding allocated in Kosovo to determine whether the allocation of funding there resulted in the establishment of functional, sustainable justice and administration structures.

Commission's response:

Concerning the cross-border cooperation projects, the Commission wishes to recall that under the rules in force, The Agency's Evaluation Committee was not bound by the opinion of the assessors. The current structures for financial assistance ensure sound financial management. More generally, the Commission stresses that The European Agency for Reconstruction has been an efficient tool for the area it was designed for, thanks to its speed in delivery which was essential in the reconstruction phase.

The Commission commissioned several external evaluations of CARDS projects in the Western Balkans and in Kosovo, including projects in the area of justice and home affairs. The most recent evaluation report was issued in July 2009.

As regards the justice sector in the Western Balkans, the evaluators found that several reforms have taken place, but effective implementation is still not adequate.

The main challenge in this area is to increase the capacity of these countries to implement legislation. The output of CARDS projects in the area concerned has suffered delays and contractors have not always managed to engage the beneficiary countries. The fact that project design was sometimes too ambitious and that laws were passed only partially did not prevent some projects from delivering. The evaluators also found that the process was generally going in the right direction. The use of twinning in the area of justice and home affairs was found to be a key to successful project implementation.

As concerns Kosovo, the evaluation concluded that it was too early to measure the projects' overall impact in terms of a better functioning justice system, but that institutional impact could be detected for some projects in the sector. It also found that initial institutional impact in terms of developed capacity and structures had the potential to contribute to a better functioning of the justice institutions. Institutional strength and development should secure sustainability of project results. Staff fluctuations are an issue for most of the institutions in the Justice sector impacting sustainability of the project results. The evaluators found that too many components and outputs reduce the overall sustainability of the projects due to limited budgets and capacity. The overall rating for impact and sustainability in the justice sector is Moderately Satisfactory.

The evaluation reports referred to above are available upon request.

236. (European Parliament, P7_TA(2010)0101 - § 6) - As regards the European Agency for Reconstruction, the European Parliament Deplores the fact that the efficiently functioning Agency has been wound up and the management of the funding has been transferred to the delegations; demands that the Commission submit a report detailing how many staff the delegations have taken on to cope with the Agency's tasks; calls on the Commission to supply comprehensive and complete information on whether budget support has been provided from the funds transferred from the Agency to the delegations.

Commission's response:

In order to ensure adequate transfer of know-how from the European Agency for Reconstruction to the delegations, the following Delegations/ECLO increased their workforce as follows:

Serbia : from 27 in the beginning of 2007 to 100 at the end of 2008. Former staff of the Agency represents 21% (21 staff members) of the total staff of the Delegation.

The Liaison Office in Kosovo: from 10 in the beginning of 2007 to 78 at the end of 2008. Former staff of the Agency represents 23% (18 staff members) of the total staff of the Delegation.

The former Yugoslav Republic of Macedonia: from 25 in the beginning of 2007 to 79 at the end of 2008. Former staff of the Agency represents 35% (28 staff members) of the total staff of the Delegation.

The Delegation in Montenegro started its activities in November 2007. It had a total workforce of 37 staff members on 1 January 2009. Former staff of the Agency represents 35% (13 staff members) of the total staff of the Delegation.

This represents a total of 80 staff members transferred from the EAR to the Delegations/ECLO.

237. (European Parliament, P7_TA(2010)0102 - § 12) - As regards the European Aviation Safety Agency, the European Parliament expresses concern about the lack of coordination between the needs, staff and financial regulation of the Agency and, in particular, that the staff selection procedures make it difficult to recruit appropriately qualified personnel; considers that the interinstitutional working group on decentralised agencies could address this issue.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

238. (European Parliament, P7_TA(2010)0103 - § 7-8) - As regards the European Center for Disease Prevention and Control, the European Parliament is concerned that as of 31 December 2008 there was still no seat agreement between the Centre and the Swedish Government as there were still many outstanding issues that needed further negotiation; points out that in its discharge for the financial year 2007, the discharge authority was already expressing concern at the Court of Auditors' observation that the Centre had disbursed EUR 500 000 on renovation works on the buildings rented for its premises, and that, as in 2006, these works had been decided upon by direct agreement between the Centre and the owner without specifying the nature of the works and the deadlines and payment conditions; nevertheless welcomes the fact that an agreement was concluded in March 2009 on personal identity numbers and supports the Centre's efforts to find definitive solutions with the Swedish government; reminds the interinstitutional working group on decentralised agencies to address this issue in general terms in its discussions.

Commission's response:

This matter is being addressed by the interinstitutional group on agencies, whose work will be finalised by the end of 2011.

Moreover, in the concrete case of ECDC, a seat arrangement agreement with the Swedish authorities was signed on 29 June 2010.