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signed by Mr Jordi AYET PUIGARNAU, Director

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COMMISSION STAFF WORKING DOCUMENT

Accompanying the document

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

on the follow-up to 2010 discharge - Replies to requests from the European Parliament

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INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to 2010 Discharge. It presents in detail the answers to the 337 specific requests made by the European Parliament in its Resolutions forming an integral part of its Decisions on the 2010 Discharges¹

¹ 2010 General Budget Discharge, ECA' Special Reports in the context of the Commission Discharge, EDF Discharge, Agencies Discharge. Document references P7_TA(2012)0153 and P7_TA(2012)0154 respectively available at the following Web address:
<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=20120510&secondRef=TOC&language=en>

European Parliament resolutions on 2010

Priority actions for the Commission

1. (*§1, first indent, page 20*) The Parliament invites the Commission to present to Parliament an Action Plan for the achievement of the following priority action: close monitoring of the use of Financial Engineering Instruments (FEIs), as described in point 21 of this resolution.

Commission's response:

The Commission presented a detailed analysis of financial instruments in cohesion policy in its staff working document of 27.2.2012 SWD(2012)36 final. Additionally, the Commission committed to an action plan in the letter sent by Commissioner Semeta to the CONT chair (ARES (2012) 249442 of 02/03/2012). This includes actions to improve the monitoring of financial instruments (FEIs).

Each year as from mid-2012, Member States will transmit specific data concerning FEIs that will include a description of their implementation arrangements, an identification of bodies involved in the implementation, the Union contribution and national co-financing paid to the FIs and the amounts of assistance paid to final recipients. On the basis of this data, the Commission will deliver in the fourth quarter of 2012 the first annual report on FEIs.

In addition, the Commission has launched an evaluation exercise that will provide, by the end of 2012, an analysis per Member State as well as an overall evaluation on the use of financial instruments. Finally, the Commission is currently carrying out a thematic audit on the implementation of a sample of financial engineering instruments, in order to assess the assurance to be placed on the implementation of these instruments down to the level of individual recipients. The Commission will report on the results of the evaluation and the audit work in the annual activity reports of services in charge of the Structural Funds.

For the 2011 discharge procedure, the Commission will provide discharge authority with the newly established annual report on FIs, the subsequent evaluation and its audit results.

For the next programming period, the Commission has proposed to further enhance monitoring mechanisms, including detailed reporting requirements for financial instruments under shared management and welcomes the support of the European Parliament in this area during the legislative procedure.

2. (*§1, second indent, page 20*) The Parliament invites the Commission to present to Parliament an Action Plan for the achievement of the following priority action: improvement and strengthening of the reliability of the accountability chain, as described in point 36 of this resolution.

Commission's response:

The Commission updated in November 2011 the instructions for the preparation of Annual Activity Reports (AAR) namely regarding the quality of the AARs, the

guidance provided and the estimation of the residual error rate and risks compared to the Court of Auditors' assessment.

Concerning the requested political declaration, the Synthesis Report is collegially adopted after having been examined and discussed it in one the Commission's weakly meetings. Moreover the introduction to this report has been modified and contains the following statement which emphasises the Commission's final responsibility: "By adopting this Synthesis Report, the Commission takes overall political responsibility for the management by its Directors-General and Heads of Service, on the basis of the assurances and reservations made by them in their Annual Activity Reports."

Regarding the addition of the Commissioner's signature to the Directors-General's AAR, the Commission considers that the AAR is a management tool for the Directors-General to express their results and assurance. Moreover, the Code of Conduct and the standing instructions, already request Commissioners to hold regular meetings with their Directors-General, including at least 2 specific meetings per year to discuss all issues related to internal control, audit and fraud. The draft AAR is also part of this discussion. Finally, the Commission also decided in 2011 to complement the standard statement signed by the Director-General by adding a sentence in which he or she "confirms that the main elements of his/her report and assurance declarations, including the reservations envisaged, have been discussed bilaterally with the Commissioner". All statements signed by the Directors-General in 2011 contain this sentence.

Concerning the Overall Opinion, it must be noted that it represents the Commission Internal Auditor's opinion on the state of the internal control within the Commission, focusing on financial management. Being an internal audit opinion, it is addressed to the Secretary-General, representing the Commission's management, and to the College of Commissioners. The European Parliament is informed of the IAS's findings via the report based on article 86.4 of the Financial Regulation. As regards the requirement related to the scope or the methodology of the Overall Opinion no specific instruction can be given to the Internal Auditor as regards the scope and the methodology of his/her opinions, as this could be interpreted as an impair to his/her independence.

As regards corporate governance arrangements, the Commission adopted on 30 May 2007 a Governance statement covering its internal functioning, explaining the way it is directed (the actors, strategic planning and the measures to promote ethics), the way it is controlled (the responsibility and accountability mechanisms) and the way it relates with its stakeholders (the openness and transparency framework and the mechanism to provide for a quality regulatory framework in the EU).

3. (§1, third indent, page 20) The Parliament invites the Commission to present to Parliament an Action Plan for the achievement of the following priority action: reconsidering the increased use of pre-financing, as described in point 56 of this resolution.

Commission's response:

For shared management, pre-financing is kept at a very low level in terms of percentage of total funds allocated, noting that, these amounts represent the largest part of pre-financing paid at Commission level. For other areas, the level of pre-financing is dictated by the nature of the actions/operations financed and also by cost-efficiency considerations.

4. (§1, fourth indent, page 20) The Parliament invites the Commission to present to Parliament an Action Plan for the achievement of the following priority action: creation of an effective sanctioning mechanism in the area of Cohesion policy, as described in point 124 of this resolution.

Commission's response:

The Commission has, at present, a wide range of legal tools to exercise its supervision. As reflected in the 2011 Annual Activity Reports of DG REGIO and EMPL, the Commission continuously applies its strict policy on interruptions of payments and suspensions of operational programmes. The Commission also imposes financial corrections, where needed. However, the Commission agrees that these tools could be further improved and strengthened by applying net financial corrections to the co-financing of operational programmes.

The Commission's proposals for the 2014 – 2020 programming period largely meet to the concerns of the European Parliament with the proposed introduction of net financial corrections to Member States "where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the European Court of Auditors" as well as streamlined procedures and conditions under which payments can be interrupted or suspended. The Commission proposal for 2014-2020 also contains innovative elements aiming at further preventing errors and streamlining the delivery mechanisms, at ensuring greater responsibility and accountability by the Member States, at establishing a risk based audit framework with greater confidence in those Member States that are continuously performing well. These proposals also clarify some eligibility rules; for example the proposal clearly prohibits the possibility for managing authorities to select projects physically completed or fully implemented before the funding application. Finally, the improved reporting from the Member States to the Commission (quarterly on implementation of programmes, and on FEIs) will allow an early warning for the Commission to exercise its supervisory role.

Accounts - clean opinion

5. (**§3, page 20**) The Parliament notes the emphasis of matter in relation to a change in the Commission's accounting policy with regard to financial engineering instruments (FEIs), which shows that risks of material misstatements remain, although the accounts have received an unmodified opinion since 2007; calls on the Commission to review annually whether the new treatment adopted reflects fairly the underlying reality.

Commission's response:

The Commission regularly considers the accounting treatment to be applied to new and existing transactions as part of its year-end closure activities and so this was done in the context of the 2012 closure exercise. Moreover, so as to clarify further the accounting treatment of these FEI transactions, which remains the same as 2011, the accounting rule on pre-financing was updated in early 2012 to specifically mention the accounting treatment for these instruments.

Legality and regularity of payments - adverse opinion

6. (§9, page 21) The Parliament calls on the Commission to achieve a trend that shows a consistent decrease in the error rate as demanded in previous discharge reports

Commission's response:

The Commission assumes its full responsibility for the implementation of the EU budget. Together with the Member States, the Commission strives for further improvements in the budget implementation thus aiming at reducing consistently the overall error rate calculated by the Court of Auditors. Concrete actions as regards the improvement of management and control systems have been taken to prevent and detect errors as well as measures focused on avoiding errors in risk prone areas. In addition, the Commission implements audit recommendations from the Court as well as the Parliaments requests made in its annual discharge resolutions which further contributes to the overall improvement of the EU financial management. Concrete measures and actions relating to the Parliaments discharge resolution for the financial year 2010 are described in the chapters on the relevant policy areas.

Financial Engineering Instruments (FEIs)

7. (§18, page 23) The Parliament agrees with the Court of Auditors' opinion that resources returned to and revenues earned by the financial instruments should not be re-directed elsewhere before the closure of the operational programme, but should return to the relevant financial instruments (Court of Auditors, Opinion No 7/2011 , page 11); expects that this recommendation will be seriously considered during the legislative procedure concerning the proposal for a regulation of the European Parliament and of the Council laying down common provisions on the structural instruments COM(2011)0615 – 2011/0276(COD)).

Commission's response:

The Commission proposal for the next programming period COM(2011)615 final distinguishes in Article 38 between the capital resources paid back to financial instrument and gains / other earnings or yields generated by investments. The Commission proposes to use capital resources paid back to financial instrument which are attributable to Common Strategic Framework (CSF) funds until the closure of the programme only for further investments through the same or other financial instruments in accordance with the aims of the programme.

Gains and other earnings attributable to CSF funds can be used for management costs, preferential remuneration of investors operating under the market economy investor principle and further investments through the same or other financial instruments in accordance with the aims of the programme.

8. (§19, page 23) The Parliament asks the Commission for a summary of the measures which might prevent risks to the Union budget arising from the FEIs.

Commission's response:

Cf. the Commission's reply to §1, first indent of the EP resolution, Commissioner Semeta's letter to the CONT chair (ARES (2012) 249442 of 02/03/2012) and the SWD on FIs (SEC(2012)36).

9. (§21, first indent, page 23) The Parliament invites the Commission to consider it a priority action to closely monitor the use of FEIs inter alia by evaluating objectively and critically the experiences with FEIs in the Cohesion policy for the programming period 2007-2013 so far, in particular with regard to the Court of Auditors' observations, including lessons learned and consequences drawn and to report to Parliament on the results of the evaluation.

Commission's response:

The Commission provided the CONT committee on the 27 February 2012 with a Staff Working Document [SWD(2012)36] which evaluates the experience by both the Commission and the Member States in implementing these new instruments so far. Based on available audit results, it includes lessons learned and measures taken by the Commission under the current programming period and those

proposed for the future. This document was presented to the CONT in March 2012.

10. (**§21, second indent, page 23**) The Parliament invites the Commission to consider it a priority action to closely monitor the use of FEIs inter alia by providing a risk assessment considering different FEIs separately as well as taking into account the risk structure of the beneficiary of the FEIs.

Commission's response:

Financial instruments supported through cohesion policy are implemented under shared management. In accordance with regulations in force national authorities select, approve and monitor the implementation of individual operations including financial instruments. The Commission cannot substitute to the role of national authorities as it would be contrary to the legislation in force but also to the subsidiarity principle.

However, in 2011 the Commission carried out a mapping exercise to identify the volumes of funding delivered through financial engineering instruments and the types of instruments implemented. In the absence of a formal reporting requirement, this exercise was carried out on the basis of Member States' voluntary cooperation. The results of this exercise were presented in a Synthesis Report.

The amendment of Council Regulation (EC) No. 1083/2006 of 13 December 2011 introduced a formal requirement to report annually on financial engineering instruments supported by operational programmes co-financed with Structural Funds.

The Commission proposal for the next programming period COM(2011)615 final includes obligatory annual reporting on financial instruments.

Moreover, the Commission published and discussed with the CONT Committee a SWD on the use of FIs, which underlies the specific risks for such instruments (cf. SEC(2012)36).

When establishing its annual audit programme in the area of agriculture, the Commission bases it on an overall risk analysis, including a number of risk factors. The inherent risks of the individual support schemes are part of these risk factors. This principle also applies to FEIs.

11. (**§21, third indent, page 23**) The Parliament invites the Commission to consider it a priority action to closely monitor the use of FEIs inter alia by completing the process of gathering information from Member States on issues not yet fully covered, such as the exact number and size of specific funds and relevant indicators on the effectiveness, efficiency and economy of FEIs; developing mechanisms to enforce the reporting obligations by Member States.

Commission's response:

In cohesion policy, the Commission monitors such instruments on the basis of reporting by the Member States. At the end of 2011, the Commission launched for the second year an ad-hoc exercise to obtain from Member States detailed financial data on the use of FEIs in view of the 2011 Commission accounts.

The recent amendment (Regulation (EU) No 1310/2011) to Regulation (EC) No 1083/2006 establishing general rules for the structural funds) makes the reporting on financial and implementation issues a regular, standardised and compulsory procedure under the annual reporting on the implementation of programmes.

As regards agriculture, the Commission has also taken firm action to closely monitor the FEIs and to improve the legal provisions in order to avoid abusive use of these instruments. In 2011, the Commission has modified Art. 52 of Regulation (EC) N° 1974/2006, which refers to the closure of the guarantee funds. It now obliges Member States to assess the expected losses ex-ante in order to determine the multiplying effect in volume of loans which can be guaranteed by the fund. This failure rate will also apply to determine the eligible amount at the closure of the fund, limited to the amount actually needed to honour the expected losses of the outstanding loans at the moment of closure. Substantial progress has also been achieved as regards the gathering of information from Member States on the amounts paid to the specific funds. In the area of agriculture, the Commission has tools at hand to enforce the reporting obligations by Member States. They are requested to include information on FEIs, when applicable, in the declaration of expenditure. Should the declaration be incomplete, the Commission can ask the Member States for additional information and may eventually reduce or suspend the related intermediate payment.

Cf. the Commission's reply to §1, first indent general budget resolution.

12. (§21, fourth indent, page 23) The Parliament invites the Commission to consider it a priority action to closely monitor the use of FEIs inter alia by reporting annually to Parliament, in the context of the discharge procedure, on the use of FEIs in Member States, including indicators on the effectiveness, the efficiency and the economy of FEIs as well as on how the Commission coordinates, ensures consistency and mitigates the risk of overlaps across policy areas.

Commission's response:

As regards Cohesion, cf. the Commission's reply to §1, first indent of the EP resolution. For agriculture, the information referred to in the reply to §21, third indent of the EP resolution shall be regularly reported to the Parliament.

Responsibility of the Commission and its management representations

13. (§33, page 25) The Parliament is worried about the Court of Auditors' observations with regard to the AARs and the Synthesis Report (Annual Report, points 1.17 - 1.25); calls on the Commission to provide consistent guidelines to be implemented by all Directorates-General.

Commission's response:

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

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

The Commission's analysis of the 2011 AARs shows that, globally, the revised instructions have been adequately implemented throughout the Commission. The Commission notes major improvements towards a more objective and accurate determination of the scope of the reservations and the resulting financial exposure. These improvements include better consistency in the use of terminology, in the presentation of error rates, in the calculation of the amount at risk and the application of materiality criteria as well as the use of the best reliable information available in the shared management area.

14. (§35, first indent, page 25) The Parliament encourages the Commission to further improve its corporate governance and to inform the discharge authority of actions and measures taken by incorporating those elements of corporate governance required or proposed by Union company law relevant for Union institutions.

Commission's response:

The Commission adopted in 2007 a Governance statement covering its internal functioning, explaining the way it is directed and the way it relates with its stakeholders. The Commission follows a principles-based approach to corporate governance comprising a limited number of fundamental rules supported by a larger number of flexible recommendations and other forms of soft law, which are left to stakeholders to enforce.

In addition, the European corporate governance framework mainly focusses on companies whose shares are admitted to trading on a regulated market ("listed companies"). The EU's corporate governance rules and principles are tailored to the specific needs and of these listed companies and their environment.

15. (§35, second indent i., page 26) The Parliament encourages the Commission to further improve its corporate governance and to inform the discharge authority of actions and measures taken by taking measures allowing the President to sign the accounts and to present together with the accounts:

(i) a description of the risks and uncertainties which could affect the achievement of the policy objectives as well as a statement in which the President, together with the College of Commissioners, accepts responsibility for risk management.

Commission's response:

The Commission has already expressed its views regarding the signature by the President and by the Commissioners of the Synthesis Report, of the annual Activity Reports and of the accounts.

Concerning the information on risks and uncertainties related to policy objectives, this issue is being discussed within a project of the International Public Sector Accounting Standards Board (IPSASB), where the Commission is represented as an observer and, thus, involved in their work. The Commission would therefore propose to wait for the outcome of this project before applying the finalised international standard/guidance (see response to §1, second indent general budget resolution).

16. (§35, second indent ii., page 26) The Parliament encourages the Commission to further improve its corporate governance and to inform the discharge authority of actions and measures taken by taking measures allowing the President to sign the accounts and to present together with the accounts:

(ii) a formal Corporate Governance declaration clearly showing which international standards for corporate governance the Commission is adhering to as well as objective and complete explanations if there is a need to depart from the corporate governance code's recommendation (the "comply or explain" principle).

Commission's response:

The Commission adopted in 2007 the Governance statement of the European Commission covering its internal functioning, showing the way it is directed (the actors, strategic planning and the measures to promote ethics), the way it is controlled (the responsibility and accountability mechanisms) and the way it relates with its stakeholders (the openness and transparency framework and the mechanism to provide for a quality regulatory framework in the EU). (http://ec.europa.eu/atwork/index_en.htm)

The Commission's governance framework lays the primary responsibility for managing the resources made available to the Authorising Officer by delegation, i.e. each Director General / Head of Service / Executive Director. Naturally, this person is also ultimately responsible for the related risk management and internal control system. Any additional statement by the President and/or the other members of College, which remain politically accountable anyway, could dilute this clear assignment of the actual management responsibilities, and the Commission therefore does not plan to follow this recommendation.

17. (§36, first indent., page 26) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by providing the Committee on Budgetary Control full insight into the Member States annual summaries.

Commission's response:

In accordance with the provisions of Article 319 TFEU and in view of the 2010 discharge recommendations of the European Parliament, all annual summaries for the financial year 2010 have already been transmitted to the Parliament.

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

18. (§36, second indent, page 26) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by delivering a political declaration in which it accepts its final and overall responsibility for the implementation of the budget, including the part of the budget which is implemented under shared management.

Commission's response:

The Commission adopts the Synthesis Report collegially after having examined and discussed it in one of its weekly meetings. The introduction to this report has been modified and contains the following statement which emphasises the Commission's final responsibility: "By adopting this Synthesis Report, the Commission takes overall political responsibility for the management by its Directors-General and Heads of Service, on the basis of the assurances and reservations made by them in their Annual Activity Reports."

19. (§36, third indent, page 26) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by adding the responsible Commissioner's signature to the AAR.

Commission's response:

The Commission governance framework lays the primary responsibility for managing the financial and human resources on each Director General or Head of Service. The Annual Activity Reports are management reports by each Director General or Head of Service giving account of the use of the human and financial resources put under her or his responsibility by the Commission. They are addressed to the Commissioner in charge of the relevant policy area and are intended to allow the College of Commissioners to assume political responsibility. As a matter of principle, they are signed by the person entrusted with the responsibility of taking executive management decisions.

A second or alternative sign-off of the AAR by the Commissioner would dilute this clear assignment of responsibilities and seriously weaken the accountability chain.

20. (**§36, fourth indent, page 26**) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by establishing the AARs in accordance with the principle of objectivity, avoiding optimistic estimations.

Commission's response:

In 2011, the AAR Standing Instructions have been improved and complemented on a total of eleven issues. The Commission Central services also monitor the consistent implementation of the instructions of the DGs before the AAR are finalised, by reviewing and providing comments on the draft AARs.

In particular, as regards the definition of the residual error rates and amounts at risk, the Commission considered that the existing guidance may not be sufficiently detailed to ensure a consistent use of terminology and criteria by all the services and addressed this issue in its Standing Instructions for 2011, laying down principles with a view to eliminate the possibilities for optimistic estimations of the error rates.

21. (**§36, fifth indent, page 26**) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by providing mandatory, complete and relevant guidance to the Directorates-General, in particular regarding the way residual error rates and residual risks are estimated in accordance with the principle of prudence.

Commission's response:

Following the requests made in the 2009 Discharge resolution, and the recommendations made by the Court in its 2010 Annual Report, the Commission updated in November 2011 the instructions for the preparation of Annual Activity Reports (AAR). These amendments cover notably the estimation of the residual risk of error.

As a result, major improvements were made in the 2011 AAR towards a more objective and accurate determination of the scope of the reservations and the resulting financial exposure. These improvements include better consistency in the use of terminology, in the presentation of error rates, in the calculation of the amount at risk and the application of materiality criteria as well as the use of the best reliable information available in the shared management area (COM(2012) 281 final).

22. (**§36, sixth indent, page 26**) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by providing in each AAR a complete and reliable explanation of the relationship between the residual risk or the residual error rate and the Court of Auditors' error rate; calls on the Commission, in close cooperation with the Court of Auditors, to explore possibilities to align its methodology of calculating the residual error rate with the Court of Auditors' most likely error rate methodology.

Commission's response:

In accordance with the instructions for the establishment of the AAR, the Services are already now required to include information on the follow-up of European Court of Auditors findings and recommendations. In particular Services that received a "red light" (most likely error rate above 5%) from the European Court of Auditors in the precedent years are expected to explain how the weaknesses noted by the Court had been addressed and in case of differences of opinion clearly explain this, presenting evidence as appropriate.

It should however be noted that the differences between the residual error rate by the Commission services and the error rate reported by the Court of Auditors do not primarily result from differences in audit methodology. The key issue in this respect is rather the different mandates of the ECA and the Commission and consequently the different approaches taken in performing their respective tasks.

The ECA, as the external auditor, audits representative samples of transactions whose results it can extrapolate to the whole population for the financial year in question, in order to be able to provide an audit opinion annually. For the extrapolation of the audit results the Court uses statistical methods, in line with international auditing standards. The objective of the Court's audit is to provide an estimation of the risk of error in the population rather than correcting any errors detected through its audits.

The Commission as the manager of the funds, on the other hand builds up its assurance from different sources (ex-ante controls, risk based/representative ex-post controls, reports from independent auditors, error rates reported by the Member State authorities in the case of shared management etc) and has to manage the consequences of any errors detected, by recovering any amounts unduly spent, imposing financial corrections, suspending procedures etc. Furthermore in multi-annual programmes the controls are spread out over a number of years for cost-effectiveness reasons.

Finally, the rates published by the Court cover chapters of its Annual report which cover several DGs and its scope changes year-on-year while those reported in AARs refer to a single DG or, even, a specific programme.

Consequently, the calculation of residual error rates by the Commission is based on different sources of information and cannot be fully reconciled with the ECA's annual error rate. However both estimations, although based on different approaches due to the different mandates, provide a valuable indication of the risk of error in the population.

23. (§36, seventh indent, page 26) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by revisiting the methodology for the overall audit opinion of the Internal Auditor and addressing the weaknesses identified by the Court of Auditors.

Commission's response:

2010 was the first overall opinion prepared by the Internal Auditor, upon request by the Commission. The Commission has taken note of the observations regarding the Overall Opinion made by the Court of Auditors in its annual report. Article 87 FR provides for the independence of the Internal Auditor, who enjoys full discretion in deciding over the scope of his/her opinions and the methodology applied.

24. (§36, eighth indent, page 26) The Parliament invites the Commission to consider it a priority action to improve and strengthen the accountability chain, inter alia by analysing whether the Commission's corporate governance arrangements could be further improved taking into account the abovementioned Commission Green Paper on the EU corporate governance framework for the private sector.

Commission's response:

As regards corporate governance arrangements, the Commission adopted on 30 May 2007 a Governance statement covering its internal functioning, explaining the way it is directed (the actors, strategic planning and the measures to promote ethics), the way it is controlled (the responsibility and accountability mechanisms) and the way it relates with its stakeholders (the openness and transparency framework and the mechanism to provide for a quality regulatory framework in the EU). Furthermore, irrespective of the mode of management of the budget, the Commission has always assumed its political responsibility for the implementation of the budget, in line with article 317 of the TFEU: as from the 2011 Synthesis Report, the language will be further adjusted to make this point clear.

European Schools

25. (§38, first demand, page 27) The Parliament demands the Commission to explore with the Member States a revision of the Convention on the European Schools and to report by 31 December 2012 on the progress made.

Commission's response:

The Commission is taking an active role in the debate on cost sharing and governance of the European Schools system. The Commission agrees that there are structural problems and VP Sefcovic has contacted Member States to get a complete picture of their intentions as to the future of the European Schools. However, the replies received were limited in number and no strong consensus for an alternative structure has emerged. None of the Member States would be prepared to leave the intergovernmental system and even if a few Member States are favourable to a revision of the Convention, no concrete proposal has been formulated. Therefore, the debate during the last Board of Governors in Oxford in April was rather inconclusive and further discussions will be necessary in the Board of Governors in December.

As a result, the Board of Governors gave a mandate to the Secretary-General to seek a legal opinion concerning the intergovernmental legal status of the European Schools System and the legal and jurisdictional status of acts adopted by the European Schools' bodies.

In addition and in parallel to the Board of Governors, the Commission is preparing an internal inter-Service consultation in order to explore a possible revision of the funding parameters of the so-called 'Type II European schools' with a view to base it on an autonomous legal basis on EU level, independent of the Convention.

26. (§38, second demand, page 27) The Parliament calls on the Commission to push for more efforts to achieve the aforementioned targets, by way of more appropriate use of the budgetary means provided.

Commission's response:

The European School System is currently offering education in 15 different language sections and assures mother tongue education for further 8 languages. After the accession of Croatia beginning of 2013, Croatian will become an additional teaching language as of September 2013 and in case of accession of Iceland another language would be added.

More than two thirds of the available school places are allocated at EU headquarters in Brussels and Luxembourg where the majority of EU staff is employed.

With the start of the school year 2012-13, two new school sites will open in Brussels (Brussels IV - Laeken) and in Luxembourg (Luxembourg II – Bertrange-Mamer) offering places for 2.800 and 3.000 pupils respectively. In addition, the

Board of Governors has already requested a 5th Brussels school from the Belgian government. An official offer is still awaited and the talks with Belgian authorities are ongoing.

Already in 2011, the Board of Governors approved in its April meeting a reform of the internal structures of the European Schools, in particular with a view to the organisation of language teaching as well as to class/group creation, division or regrouping. In addition, the Board also adopted new remuneration conditions of locally recruited staff (for recruits after 31 August 2011). Both decisions will have a positive effect on a more streamlined and cost efficient administrative and pedagogical management of the schools.

Commission's administration

27. (§39, page 27) The Parliament calls on the Commission to clarify its relocation plans, the costs this will entail, how much office space will become available and how much will be added, and the number of staff in each Directorate-General who will be affected.

Commission's response:

The internal moves between buildings are the result of several factors - the termination of lease contracts, the reorganization of DGs, the changing importance of tasks and challenges - and are part of the internal administrative management of the Commission. All essential information related to the real estate policy and its implementation is already presented to the budgetary authorities in the course of other procedures.

28. (§40, page 27) The Parliament calls on the Commission to complete, without delay, the reclassification scheme for all the temporary staff of the European Anti-Fraud Office on open-ended contracts, as announced by Commissioner Šefčovič in reply to written questions in preparation for this discharge.

Commission's response:

OLAF (as AIPN) with the support of the Commission is currently considering putting in place a reclassification scheme for Temporary Agents. Technical work on putting in place a scheme for re-grading temporary agents on contracts concluded for an indefinite period at OLAF is progressing.

29. (§41, page 27) The Parliament asks for clarification of the total cost to the taxpayer of compensatory leave.

Commission's response:

A total of 14.024 Commission staff members, equivalent to 58% of eligible staff, applied flexitime in 2010. This led to a registration of more than 200.000 days of excess work, in addition to their standard working hours. Only 59% of accumulated working hours were taken as recuperation, and a total of 86.498 days (equivalent to 432 posts) of excess work were delivered but not recuperated.

In this context, the Commission proposed on 13 December 2011 to increase weekly working time for all EU institutions to 40 hours per week and introduce the legal basis in the Staff Regulations for the flexitime regime applicable to all staff members except for managers. The Commission proposal is currently subject to ordinary legislative procedure and its final outcome will depend on negotiations between two co-legislators: the European Parliament and the Council.

Responsibility of Member States

30. (§47, page 28) The Parliament recalls its repeated invitations to the Commission to present a proposal for the introduction of mandatory national management declarations (NMDs) issued, made public and duly audited by the responsible audit authority, as part of the Commission's final and overall responsibility for the implementation of the Union budget; notes that NMDs should contain full information about the use of Union funds.

Commission's response:

In the context of revision of the Financial Regulation (FR), the Commission has supported the EP's suggestion on voluntary national declarations to be signed at political level. As a result of the negotiations on the new FR, it is now foreseen that Member States may provide to the Commission declarations, signed at the appropriate national or regional level in accordance with their respective constitutional requirements, based on the information submitted annually to the Commission (accounts, management declarations, annual summary of the final audit reports and of controls, audit opinion). This provision will for the first time apply to the expenditure resulting from commitments made as from 2014 (only for the expenditure related to the programming period 2014-2020). These voluntary declarations would be issued in addition to the mandatory management declarations which will be signed by the designated bodies to whom implementing tasks have been entrusted.

31. (§49, page 28) The Parliament notes that the Commission so far monitors administrative performance in a reactive way and on case level and thus not performs sufficient trend analysis to identify fields of risk; calls on the Commission to apply the method of trend analysis to identify financial risks and to take measures to improve Member States' administrative performance.

Commission's response:

The subjects of the annual inspections of traditional own resources which the Commission conducts in the Member States are chosen on the basis of risk analysis and in recent years the Commission has examined how Member States have used risk information which has been supplied to them in targeting their controls. In the biannual ACOR meetings all Member States are informed of the results of the Commission inspections and their attention is drawn to trends in the areas of frauds and irregularities. The Commission will continue these measures to monitor and improve Member States' administrative performance. In the area of agriculture, the programme of audits by the Commission of the CAP expenditure by the Member States is already based on a yearly risk analysis.

Bulgaria and Romania

32. (*§50, first demand, page 29*) The Parliament asks for clarification regarding a series of cases of alleged fraud in connection with Union funds in Bulgaria, causing a suspension of payments in 2008 in which the public prosecutor's office suspended the investigations, even though the investigations into similar cases based on the same facts continued in another Member State.

Commission's response:

Regarding the investigation of cases of fraud with EU funds discontinued by the Bulgarian authorities, the Commission wishes to clarify that in 2008 the Bulgarian authorities launched an investigation into a possible fraud with SAPARD funds. Two identified commercial agents and several unknown persons were suspected of participation in a criminal organisation and of illegally obtaining SAPARD funds by making use of incorrect documents. Allegedly, the fraud scheme included the inflation of the prices and the payment of kickbacks. Around 40 projects with different Bulgarian beneficiaries were investigated. At the same time, the German authorities carried out investigations into offences which possibly had been committed by the German based suppliers. Relevant information was exchanged between the German and the Bulgarian authorities. By decision of 13 May 2011, the Sofia City Prosecution Service discontinued the investigation. According to the responsible prosecutors there was no proof of a kickback scheme, whereas the applied prices, discounts and commission fees were in accordance with normal market practice. These conclusions do not correspond with the conclusions of the German authorities. The Bulgarian authorities have indicated that it would in principle still be possible to bring charges against one or more Bulgarian beneficiaries if additional evidence is provided or collected.

33. (*§50, second demand, page 29*) The Parliament calls on the Commission to put pressure on the judicial authorities to increase their efforts to reform and to implement the Commission's recommendations as soon as possible.

Commission's response:

Over the last year, the Commission was in permanent and close contact with the Bulgarian authorities in follow-up to the recommendations included in the annual report on progress under the Cooperation and Verification Mechanism adopted on 20 July 2011 and its interim update published on 8 February 2012. In this last report, the Commission concludes that Bulgaria needs to take stronger action in the coming months to implement the Commission's recommendations, including efficiency and integrity of the judiciary. These recommendations were followed up in a joint effort by several services of the Commission under the lead of the Secretariat General. The Commission provided an overall evaluation of progress in Bulgaria against the objectives of the Cooperation and Verification Mechanism in July 2012. In this context, the Commission included an updated set of recommendations for Bulgaria.

34. (*§50, third demand, page 29*) The Parliament calls on the Commission in this context to disclose how much funding has been allocated to supporting Bulgaria's

efforts to reform and to assess the extent to which the payments have achieved the promised results.

Commission's response:

The Commission provides assistance to judicial reform in Bulgaria through the European Social Fund. Since 2007, the EU has supported judicial reform in Bulgaria through 25 projects for a budget of €13.6m. These projects under the ESF cover the areas of training, human resource development, capacity building and technical assistance. At the same time, several Member States have supported Bulgaria with bilateral projects in all areas of judicial reform including police reform, the fight against corruption and the fight against organised crime. Overall, it must be noted that project implementation is slow, especially as regards organisational development and there is rather limited initiative for improving service delivery and e-justice. The main problems do not differ from those experienced by the rest of the Bulgarian public sector - delays and irregularities in public procurement, weak project management capacity and ownership, etc. A number of actions have been taken or are being planned by the national ESF management system in order to address these horizontal weaknesses.

35. (§50, fourth demand, page 29) The Parliament expects to see serious improvements over the coming year, with further considerations and a series of measures drawn up by the Commission in cooperation with the Bulgarian government for re-establishing the integrity of Bulgaria's legal system.

Commission's response:

The Commission has provided an overall evaluation of progress in Bulgaria against the objectives of the Cooperation and Verification Mechanism in July 2012 that includes proposals on this basis (COM(2012)411 final).

36. (§51, first demand, page 29) The Parliament calls on the Commission to disclose how much funding has been allocated to supporting Romania's efforts to achieve judicial reform; expects to see further improvements within the coming year.

Commission's response:

Since 2007, the EU budget has made some €9.3m available to support the fight against corruption and judicial reform in Romania through the Structural Funds. This includes projects in the areas of education, health, regional affairs, in the judicial sector and with the National Integrity Agency. Additional support was provided by pre-accession funds. At the same time, several Member States have supported Romania with bilateral projects in all areas of judicial reform and the fight against corruption. The implementation has started in 2012; an evaluation of results is therefore not yet possible. The following results are expected: A functional review of the judiciary and recommendations for the improvement of procedures, structures and human resources, the strengthening of the National Integrity Centre promoting integrity and efficiency in public administration and the completion of a study aimed at identifying the underlying causes of corruption in public administration and putting in place anti-corruption measures.

37. (§51, second demand, page 29) The Parliament calls on the Commission to increase pressure on the Romanian government to implement the Commission's recommendations; expects the Commission to call on the Romanian government, without fail, to ensure that the Romanian government's efforts to develop a consistent jurisprudence in public procurement trials are increased.

Commission's response:

Over the last year, the Commission was in permanent and close contact with the Romanian authorities in follow-up to the recommendations included in the annual report on progress under the Cooperation and Verification Mechanism adopted on 20 July 2011 and its interim update published on 8 February 2012. In this last report, the Commission concluded that Romania needed to take further action in the coming months to implement the Commission's recommendations in a number of areas. These recommendations include references to the efficiency and integrity of the judiciary in general, as well as to public procurement, to an implementation plan for the Penal Code and the Penal Procedure Code and regarding the recovery of the proceeds of crime. They were followed up in a joint effort by several services of the Commission under the lead of the Secretariat General. These efforts are supported by other initiatives of the Commission working closely with the Romanian authorities to improve the management and control system for EU funds. The Commission has created a high-level working group associating the necessary Commission services (DG MARKT, SG, ECFIN, EMPL, REGIO) together with the Romanian authorities in order to review the implementation of Commission recommendations on the public procurement in Romania. The Commission has provided an overall evaluation of progress in Romania against the objectives of the Cooperation and Verification Mechanism in July 2012. In this context, the Commission included an updated set of recommendations for Romania (COM(2012)410 final).

38. (§51, third demand, page 29) The Parliament calls on the Commission steadfastly and determinedly to insist vis-à-vis the Romanian government that the Commission's recommendations are complied with and a clearer, more comprehensive implementation plan to prepare for implementation of the provisions of the Criminal Code and the Criminal Procedure Code is drawn up.

Commission's response:

In its interim report published on 8 February 2012, the Commission concluded that Romania needed to take further action to implement the Commission's recommendations in a number of areas. These recommendations included references to the efficiency and integrity of the judiciary in general, as well as to public procurement, to an implementation plan for the Penal Code and the Penal Procedure Code and regarding the recovery of the proceeds of crime.

The Commission has provided an overall evaluation of progress in Romania against the objectives of the Cooperation and Verification Mechanism in July 2012. In this context, the Commission included an updated set of recommendations for Romania (COM(2012)410 final)..

39. (*§51, fourth demand, page 29*) The Parliament expects increased efforts with regard to the confiscation of assets resulting from criminal activities in Romania.

Commission's response:

The Commission has provided an overall evaluation of progress in Romania against the objectives of the Cooperation and Verification Mechanism in July 2012. In this context, the Commission included an updated set of recommendations for Romania (COM(2012)410 final).

40. (*§51, fifth demand, page 29*) The Parliament also expects a series of measures from the Commission, in cooperation with the Romanian government, for improving the integrity of the Romanian legal system.

Commission's response:

The Commission has provided an overall evaluation of progress in Romania against the objectives of the Cooperation and Verification Mechanism in July 2012. In this context, the Commission included an updated set of recommendations for Romania (COM(2012)410 final).

Pre-financings

41. (*§56, first indent, page 30*) The Parliament invites the Commission to make it a priority action to reconsider the increased use of pre-financing as well as control and audit mechanisms by informing Parliament about the reasons why the Commission has made an increased use of pre-financings between 2005-2010.

Commission's response:

The increased use of pre-financing over the recent years reflects the spending cycle of multiannual programmes, and is mostly due to the beginning of the 2007-2013 programming period. Other contributing factors are: the additional pre-financing paid in the context of the package to fight the effects of the economic crisis in 2009-2010; the increased use of Financial Engineering Instruments by the Structural Funds, which are also presented as pre-financing in the annual accounts.

42. (*§56, second indent, page 30*) The Parliament invites the Commission to make it a priority action to reconsider the increased use of pre-financing as well as control and audit mechanisms by adapting the level of pre-financings in the various programmes to a level that will ensure the necessary float for the beneficiary to start the project, while also safeguarding the financial interest of the Union and informing Parliament accordingly.

Commission's response:

The level of pre-financings in the various programmes should ensure the necessary float for the beneficiary to start the project while also safeguarding the financial interests of the EU and taking into consideration operational and cost-effectiveness constraints.

The EP and Council agreed to change the dedicated articles of the Financial regulation (art. 87.4 and 176(4)) which now foresee that pre-financing should be regularly cleared following the timing and economic substance of the underlying projects; alternatively, for projects exceeding 5.000.000 euros the authorising officer shall obtain at least once a year from the beneficiaries information on the cumulative spending. External actions projects are exempted from these provisions; however, for such projects with a value higher than 5.000.000 euros a maximum of two uncleared pre-financings is allowed.

Finally, latest information shows that the global amount of pre-financings has slightly decreased in 2011, which confirms that the increase witnessed in the early years of the 2007-2013 Financial Framework is also a normal development linked to the spending profile of multiannual programmes.

Outstanding budgetary commitments

43. (*§61, page 31*) The Parliament invites the Commission to provide information on the size of outstanding commitments per Member State as well as on its cooperation with the Member States to identify and address risk areas in relation to absorption and regularity.

Commission's response:

The Commission has taken the recommended action.

For Cohesion the Commission prepares a comprehensive quarterly report which provides the RAL per Member State (and also by Fund and by Operational programme).

This report is sent regularly to European Parliament (Committee on Budgets) and Council (Budget Committee).

Budgetary contribution to decentralised agencies and joint undertakings

44. (§62, page 31) The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Agency/Joint Undertaking made from the general budget of the Union, such as:
- the initial contribution of the Union entered in the budget for the Agency/Joint Undertaking ;
 - the amount of funds coming from the recovery of surplus;
 - the overall contribution of the Union for the Agency/Joint Undertaking;
 - the amount of the European Free Trade Association (EFTA)'s contribution where this applies;

Commission's response:

As to the budget data for 2010, and more in general, the information provided by the Commission, it should be referred to the agency Working Document (no. III). The budget implementation 2010 tables in the agency WD provide full details, on both types of bodies.

45. (§64, page 31) The Parliament invites the Commission to draw up guidelines for templates that could be used by all Agencies/Joint Undertakings to establish their Annual Working Programmes and Annual Activity Reports, in order to ensure meaningful comparison of results against planned objectives.

Commission's response:

The Common Approach on EU decentralised agencies mentions that agencies' Annual Work Programmes and Annual Reports could be based on templates. The Commission will present a roadmap on the implementation of the Common Approach by end 2012 where it will indicate how it will follow-up on those provisions, amongst others, with agencies. The templates already used by Commission services for their Management Plans and Annual Activity Reports could serve as a basis for this reflection.

46. (§65, page 31) The Parliament calls on the Commission to provide Parliament with a detailed overview of the criteria and verification mechanisms applied to avoid conflicts of interest and 'revolving door' cases for Agencies/Joint Undertakings.

Commission's response:

The IIWG discussed, in the context of governance, the need to ensure a coherent policy on preventing and managing conflict of interests concerning members of agencies' Management Boards, agencies' directors, members of the scientific committees and boards of appeal. The Agencies will be fully responsible for the implementation of the eventual recommendations the group will formulate in this domain.

Union budget and the financial and budgetary crisis

47. (§70, page 32) The Parliament invites the Commission, therefore, to evaluate the potential need to set up a guarantee fund to cover for potential losses similarly to the Guarantee Fund for External Actions with the aim to protect the Union budget.

Commission's response:

The Commission considers that the current system, whereby the own resources of the EU directly provide the guarantee up to the limit of the own resources ceiling, is fully adequate. It is supported by multiple layers of safety built into the budgetary legal framework, in particular Article 12 of Council Regulation 1150/2000, implementing the system of the EU's own resources.

The Guarantee Fund for External Actions has been set up to shield the EU budget from the potential impact of defaults on the guaranteed lending to third countries under the Macro Financial Assistance, Euratom and the European Investment Bank external lending. With a target provisioning level of 9% of the global amount of the outstanding external guaranteed lending, it is assumed to provide a reasonable buffer against the annual risk of default on a large portfolio of relatively small loans with a diversified counterparty risk.

In contrast, the Balance-of-payments and the European Financial Stabilisation Mechanism involve a very limited number of counterparties (currently 5 in total), each representing several billions worth of guaranteed lending. To set up a guarantee fund to shield the EU budget from the effects of a possible sovereign default would be neither feasible nor efficient as the target provisioning level would have to be very high; multiples of the Guarantee Fund for External Actions target. The amounts involved, which Member states would need to pay upfront into such a Guarantee Fund, would be very large and risk being blocked for many years.

European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM)

48. (*§78iii, fourth indent, page 34*) The Parliament urges the Commission to report to Parliament and the Council twice a year on the risk that is incurred on the Union's budget by its guarantee to the EFSM and to ask the Commission how in case of a default this money would be transferred into the Union budget and then to the EFSM.

Commission's response:

The requested action has been taken.

- The Commission already reports to the Parliament and the Council in line with Art. 130 FR which foresees half yearly reports.

- In all cases the bonds issued by the EU finance the loans "back-to-back". Under normal circumstances the repayments by the borrowing country provide for the repayment of the bonds issued by the EU.

In the unlikely event of a default, the cash management of the Commission and its right to draw on Member States for contributions under the provisions of article 12 paragraph 3 of Regulation 1150/2000, ensures timely payment of all obligatory expenditures, including debt service for the bonds issued by the EU. Any funds mobilised in this way would be proposed to be budgeted under the line 01 04 01 03 "European Union guarantee for Union borrowings for financial assistance under the European financial stabilisation mechanism".

Transparency

49. (§ 80, page 34) The Parliament reiterates its call for all grant payments from Union funds to be recorded in a user-friendly online database paying due regard to data protection law.

Commission's response:

The Commission considers that it is fulfilling the requirements of transparency as defined in Article 30 of the Financial Regulation (FR), with due regard to data protection law.

The Commission directly publishes information related to beneficiaries of EU funds that it implements under direct management. This information is available through Financial Transparency System (FTS), a central online search engine.

As for EU funds implemented indirectly by our implementing partners (Member States, third countries, international organisations, etc.), the Commission has issued the relevant instructions for standardisation of the information to be presented by the various management authorities involved. For implementing partners, the transparency requirements constitute a pre-condition for the delegation of implementation of EU funds. The Commission considers that it should remain so, as they are the best positioned to have full and reliable information regarding the beneficiaries of the funds they manage. This is particularly relevant for the publication of beneficiaries under shared management, which is clearly the responsibility of Member States. A further coordinated initiative is not envisaged at this point.

50. (§ 81, page 34) The Parliament expects the future regulation laying down common provisions on the structural instruments (COM(2011)0615 – 2011/0276 (COD)) to ensure that Member States provide the data on final beneficiaries of ERDF and Cohesion Fund to be published on the Commission's official website in one of the three working languages of the Commission and based on a set of common criteria to allow comparison and detection of errors; recalls its invitation to the Commission to seek inspiration from the American Recovery Accountability and Transparency Board and its website (www.recovery.gov).

Commission's response:

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

51. (§ 82, page 35) The Parliament calls on the Commission to submit as soon as possible a proposal for a new regulation requiring Member States to publish

information on legal and natural persons receiving European agricultural funds, taking that judgment into account; takes the view that information on beneficiaries should be available on the Commission's official website in one of the three working languages of the Commission and based on a set of common criteria to allow comparison and detection of errors

Commission's response:

The Commission is taking the requested action.

In accordance with the judgment of the General Court of 9.11.2010 as regards transparency invalidating the legislation as regards natural persons, Commission Implementing Regulation (EU) No 410/2011 sets out for the sake of clarity that the publication of CAP beneficiaries is limited to legal persons only. Data of legal persons are therefore still available in the EU Member States data bases. In this context, the Commission is working on a new proposal, taking account of the objections made by the Court's judgment, in particular the data protection concerns, while complying with the transparency objective with a view to presenting it to Council and Parliament still during the year 2012, as an amendment to the Proposal for a Regulation on the financing, management and monitoring of the Common Agricultural Policy.

Under shared management, it is primarily the Member States who are responsible for the management of funds and consequently the publication of funds' beneficiaries. However, the Commission has set up a web portal on the Europa site where all available links to relevant Member States' websites are provided.

Statement of Assurance methodology

52. (§86, page 35) The Parliament calls therefore on the Commission and the Court of Auditors to harmonise the treatment of public procurement errors in the two policy areas, Agriculture and Natural Resources and Cohesion, Energy Transport, urgently and to report back to the Parliament's competent committee on the progress made by the end of 2012.

Commission's response:

It is to be noted that for cohesion the Commission and the Court apply the same methodology for auditing public procurement procedures (PP). The difference lies in the quantification of the errors. The Commission's approach for quantification of financial corrections for public procurement errors in the area of cohesion policy is based on a set of flat rates agreed with the Member States in order to ensure the proportionality of corrections linked to the potential impact to the EU budget. The Court has accepted this approach to financial corrections by the Commission, but at the same time confirmed its DAS audit methodology to quantify errors. The Commission explained this difference of approach in its Staff Working Document SEC(2011)1179 final and in individual AARs (Cf for example Annual Report 2010 - PART 2 — Audit approach and methodology for the regularity of transactions). In the area of agriculture, public procurement is a feature of only a few measures under the first pillar and of limited extent for certain axes of the second pillar. If shortcomings and/or breaches are identified the potential risk to the EAGF and EAFRD is estimated and financial corrections may be applied accordingly on a case by case basis.

The Court's decision in 2011 to harmonise its classification and quantification of public procurement errors across all EU policy areas, will require a harmonised approach at Commission level as well. The Commission will consider how best to harmonize its treatment of public procurement errors and make proposals based on its current decision for Cohesion to quantify PP errors at flat rate, in the framework of its current action plan to clarify PP issues, with a view to harmonize positions between shared managements DGs, while taking into account the specifics of the different policy areas.

The role of the Commissioner responsible for budgetary control issues

53. (**§87, page 36**) The Parliament proposes that in the 2014-2019 Commission a full-time Commissioner for Budgetary Control be re-established with responsibility for matters related, inter alia, to the following areas:
- internal audit,
 - anti-fraud
 - liaison with the Court of Auditors and the relevant committee of Parliament;
 - contact with the relevant budgetary and audit authorities in the member states, and the development of a comprehensive internal control framework,
 - overseeing and improving the utility of the annual synthesis report, including a review of the Member States' management and control systems,
 - commissioning and assessing independent programme evaluations, and developing the Evaluation Report, provided for by Article 318 of the TFEU, into a valuable tool for performance improvement;

Commission's response:

Article 17.6.b) of the Treaty stipulates that the President of the Commission decides on the internal organisation of the Commission in order to assure coherence, efficiency and collegiality. The future President will therefore put in place the internal organisation, without prejudice.

Performance Getting results from the Union budget

54. (§92, page 37) The Parliament invites the Commission to improve its reporting on performance, including indicators relating to economy and efficiency and to set appropriate targets for assessing progress towards achieving multi-annual objectives.

Commission's response:

In order to increase the coverage of performance reporting aspects in the AARs, the 2011 AAR Standing Instructions have been strengthened as follows:

- *As from the 2011 AAR, Services are required to complement the progress reporting in Part 1 of the AAR (any deviations from the set milestones or from the track of the expected trend) by justifying any discrepancies between the results targeted and those achieved (gap analysis) and describing the corrective actions taken or planned to remedy the problem(s) encountered. The new instructions also encourage Commission Services to make better use of the information from their policy/programme evaluation reports by re-using the key findings in their AAR reporting on policy achievements.*

- *As from the 2011 AAR (optional; for those Services that already have the data) and the 2012 AAR (mandatory for all), Services are required to include in Part 3 of the AAR key indicators of sound financial management (effectiveness, efficiency, economy) of the EU funding, and report the results of such indicators on an annual basis. Respectively, these indicators could be based on, e.g., the quality results (% of decisions challenged) of the project selection processes, the time-to-pay statistics and the financial savings made during the contracting processes.*

In March 2012, i.e. during the annual peer review process for the 2011 AARs, the Commission central services have monitored the Services' compliance with these new provisions. On the basis of the observations made from this monitoring, additional guidance and/or instructions will be issued as necessary, if required in the instructions for the 2012 AARs. Compliance with the new requirements mandatory for the 2012 AAR will be monitored in March 2013 (i.e. during the annual peer review process for the 2012 AARs).

55. (§93, page 37) The Parliament further invites the Commission in areas of shared management to define, together with the Member States, appropriate performance indicators to be applied consistently, and to verify that Member States' reporting of achieved results is mandatory, complete, accurate and public.

Commission's response:

For the Structural funds, result and output indicators are defined in the Operational Programmes according to the Structural Funds regulatory requirements. The performance of structural funds is assessed through regular evaluations and performance audits by the Court of Auditors and, since 2012, also by the Commission. In the last few years the Commission audit resources in Cohesion were focused on improving financial management with a view to reducing errors. In view of the next generation of programmes 2014-2020, the

Commission believes that its supervisory role should also focus on the added value of the EU financing.

In its proposal for cohesion policy for the 2014-2020 programming period (COM(2011)615), the Commission has put forward that each programme priority shall set out indicators to assess progress of programme implementation towards achievement of objectives as the basis for monitoring, evaluation and review of performance (Article 24). In particular for each programme the Fund-specific rules shall set out common indicators and may provide for programme-specific indicators. Therefore, while in the context of shared management of Structural Funds some common indicators will be laid down by Fund-specific Regulation, the programme-specific indicators will be set out by the managing authority and submitted to the Commission for approval. The submission of data on common and programme specific indicators and the milestones defined in the performance frameworks to be set out in each respective Partnership contract with the Member States is made necessary for the admissibility of the annual implementation reports. Furthermore, the Commission under Article 134 of the proposal may suspend payments where there is a serious deficiency in the quality and reliability of the monitoring system or of the data on common and specific indicators.

As regards agriculture and rural development, the Commission is also monitoring developments in agricultural markets and income, rural development and the use of CAP funds and ensures evaluation. However, these exercises are carried out differently for the two CAP pillars. For rural development, common output, result and impact indicators are defined within the Common Monitoring and Evaluation Framework for the current generation of RDPs. The performance and achievements of rural development policy is assessed through programme-level evaluations which are synthesised at EU level. These evaluation reports are made public.

For the future, Article 110 of the proposed Regulation on the financing, management and monitoring of the CAP foresees a common monitoring and evaluation framework for measuring the performance of the CAP as a whole. Starting in 2017, the Commission would present a report on the implementation of Article 110 every 4 years. This provision is complemented by Title V of the proposed Rural Development Regulation, which foresees common indicators across all programmes for monitoring, evaluation and performance review. Quantified targets will be established for each focus area included within an RDP. Stakeholders have been involved in the development of this framework through a conference and follow-up workshops. A new expert group on "monitoring and evaluating the CAP" has been set up in order to analyse the implications of the new framework for measuring the performance of the CAP and to follow-up on problems and identify good practice related to the concrete implementation and reporting exercises. Consultations continue through the setting-up of the framework.

56. (§95, page 37) The Parliament Calls on the Commission to systematically account for those differences in the effectiveness of control systems and to make available clear evaluations of efforts – or lack of effort – by Member States in detecting and correcting irregularities to make sure that Member States with well-functioning supervisory and control systems are not at risk of being discredited.

Commission's response:

The Commission is disclosing its assessment on management and control systems in a clear and transparent way and refers to that numerous steps are taken to continuously assess Member States' management and control systems. In their Annual Activity Reports Directors-General for DG Regional Policy and Employment provide an assessment of the effectiveness of the managing and control systems and of the regularity and legality on the transactions for each operational programme. This is based on a combination of an evaluation of the Annual Control Reports submitted by the Member States including an audit opinion for each programme and a projected error rate based on a representative sample and the result of the audits performed by the Commission or the Court throughout the year. Additional management information is taken into account when available. Based on this evaluation, reservations may be made by each Director-General, followed by legal proceedings by the Commission, with a view of protecting the EU budget, such as interruptions of payments, suspensions of operational programmes and financial corrections. In each case, the Commission, in its supervisory role, will also evaluate the corrective actions taken by the concerned Member States in order to come back to a situation where the management and control systems are functioning well and the operations implemented are regular, thereby protecting the EU budget from future irregular expenditure.

57. (§96, page 37) The Parliament invites the Commission to present the Evaluation Report provided for in Article 318 of the TFEU in its competent committee and Plenary at the same time as the Court of Auditors' Annual Report is presented.

Commission's response:

The Commission confirms its commitment to present the evaluation report in compliance with Art 318 of the TFEU and, as from the 2011 discharge procedure, will aim to adopt it by mid-November each year.

58. (§98, first indent, page 37) The Parliament further recalls that Parliament, in its resolution on discharge to Commission for the financial year 2009, suggested that the Commission should appoint a "performance evaluator" in order to establish clear ownership of the evaluation report (point 199).

Commission's response:

There is no lack of ownership of the evaluation report as it is adopted by the Commission. The same is true regarding the responses provided by the Commission in the discharge process. In its reply to the Discharge resolution 2009, the Commission stated that it is committed to present the evaluation report in full compliance with Article 318 of the TFEU. However, the Commission stated also that it will use its established working methods to produce this report along with all of the other policy statements and documents that it produces concerning evaluation issues.

59. (§98, second indent, page 37) The Parliament further recalls that Parliament, in its resolution on discharge to Commission for the financial year 2009, suggested that a

clear and transparent relationship should be established between performance indicators, legal/political basis, amount of expenditure and results (point 200).

Commission's response:

For the next Multiannual Financial Framework the Commission included in all its proposals for specific financial programmes the general and specific objectives it intends to achieve and the key indicators that would allow to track their achievement.

60. (§98, third indent, page 38) The Parliament further recalls that Parliament, in its resolution on discharge to Commission for the financial year 2009 , suggested that the Internal Audit Service should audit the methodology used for the production of the evaluation report as well as assess the work done (point 200).

Commission's response:

The Commission recalls that, according to article 87 of the Financial Regulation, the Internal Auditor is independent in the performance of his/her duties and cannot take instructions as regards his/her tasks.

In any case, for the time being, the Commission considers that it is too early to draw conclusions as regards the methodology it used to set up the first evaluation report (article 318 of the TFEU). Under article 111 of the implementing rules, the Commission may consider asking the Internal Auditor to perform such an audit when the methodology for producing the abovementioned report is stabilised.

61. (§98, fourth indent, page 38) The Parliament further recalls that Parliament, in its resolution on discharge to Commission for the financial year 2009, suggested that key performance indicators used by Commission departments should be publicly available (point 200).

Commission's response:

Key performance indicators used by Commission departments are publicly available and included both in the Management Plans and in the Annual activity Reports.

62. (§100, page 38) The Parliament invites the Commission to further develop the content of the Evaluation Report under Article 318 of the TFEU and, in particular, to identify the added value of this Evaluation Report compared to "normal" evaluations carried out under the Financial Regulation (Article 27) and its implementing rules (Commission Regulation (EC, Euratom) No 2342/2002 , Article 21).

Commission's response:

The Commission is reviewing the approach used for the first Evaluation Report with a view to more comprehensive reporting on results of activities financed by the budget, relying on existing reporting material. The Commission is working to further develop the Evaluation Report as a key contribution to the discharge process in the light of the reactions from the discharge authority.

63. (**§103, page 38**) The Parliament reiterates its call for the Commission to review the briefing and training given to staff regarding 'Title II: Rights and Obligations of officials' of the Staff Regulations so as to ensure that all staff are fully conversant with its terms and particularly with the obligations under Article 22a of the Staff Regulations; requests that the Commission submit to Parliament's competent committee by September 2012 a report on its activities in this field.

Commission's response:

Ethics and Integrity training which covers the Title II: Rights and Obligations of officials is obligatory for all newcomers. In 2011, 79 courses were delivered on the central level, with 1.116 participants trained. In addition to the above, individual DGs and agencies organise Ethics and Integrity courses for their personnel.

Article 22a of Title II is an inherent part of these training, which is referred to several times in the course as well as discussed more in depth as one of the cases integrated in its contents. In addition, the attention to the importance of this Article was drawn again after the report in 2010 and HR B3 communicated clearly to the contractor to give it the right emphasis during all of the courses.

Report will be submitted.

64. (**§104, page 38**) The Parliament requests that the Commission submit to Parliament's competent committee by September 2012 a report on its activities to encourage whistle-blowing by the wider public.

Commission's response:

The Commission is preparing guidelines for all its staff members on the practical application of the whistleblowing rules of the Staff Regulations, and will adopt these guidelines as soon as this is appropriate in light of the current legislative procedure regarding the Staff Regulations. The adoption will be followed by a communication and awareness-raising campaign.

However, the Commission has no competence over whistleblowing arrangements and the protection of whistleblowers in the Member States, which is a matter for the national authorities.

Cohesion, energy and transport - adverse conclusion

65. (§107, page 39) The Parliament calls on the Commission to pursue the ongoing reform of public procurement taking due account of these worrying results and to follow up on infringements rigorously as the Court of Auditors has also identified cases of incorrect transposition of Union Directives into national public procurement law (Annual Report, point 4.27).

Commission's response:

The Commission's proposals for the revision of the public procurement Directives and the Directive on the award of concession contracts are aimed, amongst other objectives, at enhancing better understanding and better application of the rules via a new governance scheme. Under this scheme Member States should play an increased role in the monitoring of procedures and in ensuring the preparedness of public procurers to correctly apply EU rules. The proposals are currently being negotiated in the Council and in the European Parliament with the end of 2012 as a target date for adoption.

Infringement cases concerning incorrect transposition of the EU PP Directives are treated as priority cases.

66. (§108, page 39) The Parliament invites the Commission to disclose how it consolidates the information received from audit authorities and how the Commission ensures consistency in order to provide reliable information to Parliament in its AARs.

Commission's response:

Directors General in charge of DG Regional Policy and Employment, Inclusion and Social Affairs disclose in their Annual Activity Reports audit and management information, including the one reported by national audit authorities, at appropriate levels of aggregation for the purpose of the annual assurance of the Commission. They also disclose their assessment of the provided audit information (namely its reliability).

In their 2010 Annual Activity Reports, DG Regional Policy and DG Employment decided to disclose information on the error rates communicated for the first year by the Member States in relation to 2009 expenditure. In 2011, the Commission provided a guidance note to the Member States on the treatment of errors in the Annual Control Reports, following discussions with the Member States' audits authorities in several technical meetings, including bilateral meetings between Commission and MS. The objective of the guidance note is to improve the homogeneity and coherence of data and error rates received from the audit authorities and to increase the reliability of the error rates reported in the Annual Control Reports. A questions-answers fiche was prepared together with the guidance. Check lists on audits of operations have been made available to audit authorities to ensure the appropriate coverage of complex issues in their audits (public procurement, State aid, financial instruments).

The Commission has carried out in early 2012 fact-finding missions on-the-spot when the assessment of Annual Control Reports raised doubts on the reported error rates in order to closely verify the calculations and reliability of these error rates. In this second year of reporting (2011 Annual Activity Reports), error rates provided by audit authorities, adjusted if necessary or replaced by flat rates if ACR error rates were assessed as not reliable, were used as a basis for the quantification of the risk for payments in the 2011 Annual Activity Reports.

67. (§110, page 39) The Parliament asks the Commission to inform Parliament when it intends to rely on selected audit authorities in accordance with Article 73 of Regulation (EC) No 1083/2006 and thereby reduce its own on-the-spot audits.

Commission's response:

In line with the provisions of Article 73 of Regulation (EC) 1083/2006, the Commission intends to rely, as much as possible, on the work of the national audit authorities in order to focus its own audit resources on other more risky programmes and authorities. Article 73 of Regulation (EC) No 1083/2006 stipulates that the Commission may rely on the audit authorities' opinion and reduce its own audits, if it has obtained reasonable assurance that the management and control systems of the programme function effectively. Therefore, the scope of the Commission's assurance goes beyond the work of the audit authorities and refers to the functioning of the system as a whole. Hence, the legal basis provides the possibility for the Commission to adopt a differentiated approach by operational programme and to grant Article 73 only for those programmes which fulfil the above requirement.

Since 2009, the Commission has re-performed the audit work for a sample of 34 high risk audit authorities covering 92% of the ERDF/CF funding for the period, in order to determine the level of assurance that could be obtained for a number of audit authorities covering a substantial part of programmes and funding. The Commission has identified the first group of audit authorities that could qualify for the single audit status and is sending out letters confirming its reliance on their work and the related operational programmes in June 2012. The Commission has informed the EP with letter of 19/07/2012 (Ares (2012) 884465) on the AAs that have been selected according to Article 73 of Regulation (EC) No 1083/2006 until June 2012. The Commission will continue in 2012 and beyond the re-performance of audit work in order to identify possible other candidates and to follow-up weaknesses identified in the work of some audit authorities. This information is clearly detailed in the 2011 Annual Activity reports as well as in the Joint Audit Strategy currently under update.

For DG EMPL, the situation is such that at the end of 2011, audit information resulting from EMPL's audit work on systems and on re-performance of the work of the AA reached coverage of 97, 86%. It is anticipated that by the end of programming period, 100% coverage will be reached.

The Court of Auditors is continuously reviewing the work of the Commission in this area and assessed it as generally acceptable in its 2010 Annual Report.

Effectiveness of interruptions and suspensions

68. (§117, page 41) The Parliament calls on the Commission to analyse the weaknesses in the Member States and regions affected most by high error rates and to comply with its supervisory role by enforcing measures as stated in the action plan.

Commission's response:

The Commission is continuing to implement its commitments under the 2008 Action Plan, as shown by its analysis of the errors and targeted actions taken against the programmes and Member States that contribute to the error rate (see Staff Working Document SEC(2011)1179 of October 2011). In addition the Commission reiterated its commitment to strictly apply its supervisory role in Commissioner Semeta's letter to the CONT chair (ARES (2012) 249442 of 02/03/2012). As a result, the Directors-General for regional policy and employment have put reservations on a significant number of programmes in their 2011 AARs and subsequently interrupted payments to these programmes. This approach follows the general objective of the action plan to strengthen the Commission's supervisory role.

69. (§118, page 41) The Parliament calls on the Commission to resume payments only if sufficient appropriate audit evidence gathered on the spot proves that weaknesses were remedied in order to make this power of sanction more effective and with a view to avoiding any risk that payments are resumed too quickly.

Commission's response:

The Commission does not resume payments until it has confirmation that systems are corrected for the future and that financial corrections have been implemented on past expenditure. Such confirmation may be based on formal written commitments and reports transmitted by the responsible managing authority, validated by the national audit authority or on-the-spot follow-up audits carried out by the Commission. In case the identified problems are not solved within the interruption deadline set by Reg. 1083/2006 (6 months), the Commission recently confirmed its instruction to its services to launch suspension proceedings (cf. Synthesis report for 2011 adopted in June 2012).

70. (§119, page 41) DG REGIO resumed 24% of the interrupted payments in December 2010. The Parliament invites the Commission to inform Parliament for which of these 12 cases funding would have been lost according to the n+2/n+3 rule if payments had been resumed in 2011.

Commission's response:

In accordance with Article 93 of Council Regulation (EC) No 1083/2006, the Commission shall automatically decommit any part of a budget commitment that has not been used for payment of the pre-financing, interim payment or for which an application for payment has not been sent by 31 December of the second (n+2) / third (n+3) year following the year of the budget commitments. The Commission analysed the 12 cases, and the payment claims referred to were received well in

advance to meet the n+2 requirement. The fact that the claims were paid or not before 31 December did not affect the n+2 targets. It is the legal obligation of the Commission to resume the interrupted payment deadlines as soon as it has sufficient evidence that the deficiencies in the functioning of the management and control system of the programmes have been remedied in order to respect the legal payment deadlines, which was in December for the 12 cases mentioned. This legal obligation covers all months of the year. Cf also reply to §118 of the EP resolution. The Commission reports to the Budgetary authority on the automatic decommitments in the report 'Analysis of the budgetary implementation of the Structural and Cohesion Funds'.

Effectiveness of financial corrections

71. (§120, page 41) The Parliament invites the Commission to continue to improve the information provided, for example by comparing the financial corrections and recoveries to the corresponding amounts of payments.

Commission's response:

It is not always possible to make the link between financial corrections/recoveries imposed by the Commission and payments received by the Member State from the Commission in a specific period of time, since most irregularities are identified and corrected continuously in a multiannual management and control system, up to closure, and not in relation to a specific payment received at a given moment. This is the normal and proper functioning of shared management programmes. In addition, flat-rate corrections may be imposed in situations where serious deficiencies of management and control systems have been detected at Member State level; thus with no relation to specific irregular expenditure or to payments received by the Member State.

Conclusions on the supervisory role of the Commission

72. (§123, page 42) The Parliament calls on the Commission, in particular DG REGIO, to make full use of existing sanctioning tools.

Commission's response:

The Commission considers it already has, at present, a wide range of legal tools to exercise this supervision that it does not hesitate to use as shown in the annual activity reports of the concerned services for 2010 and 2011. In 2012, beyond figures reported in the AARs on interruptions and suspensions, the Commission has further adopted 3 suspension decisions (2 cases for DG Regional Policy and 1 for DG Employment, Inclusion and Social Affairs).

73. (§124, page 42) The Parliament invites the Commission, therefore, to consider it a priority action to support Parliament in its efforts in the ordinary legislative procedure concerning the proposal for a regulation laying down common provisions on the structural instruments (COM(2011)0615 – 2011/0276(COD)) to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget.

Commission's response:

The proposals for the 2014 -2020 programming period have been designed in particular to meet the European Parliament's concerns with the introduction of net financial corrections to Member States "where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the European Court of Auditors" and clearer procedures and conditions under which payments can be either interrupted or suspended.

Cf. also the Commission's reply to §1, fourth indent of the EP resolution.

The Commission firmly supports its proposals in the legislative process and welcomes all efforts and supports from the EP to reach the objectives set in the Commission's proposals for better accountability by Member States and an efficient supervisory role for the Commission, while ensuring at the same time simplification of implementation at beneficiaries' level.

74. (§124, first indent, page 42) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: making net reductions the rule for financial corrections imposed by the Commission and abolishing the possibility to declare retrospective projects.

Commission's response:

The Commission's proposals for the 2014 -2020 programming period include the following elements: 1. net financial corrections where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the

European Court of Auditors, but possibility to reuse the funds when irregularities are detected by national audits and controls, to make the national control system effective and efficient. The proposals also provide for clearer procedures and conditions under which payments can be either interrupted or suspended. 2. clear prohibition for managing authorities to select projects physically completed or fully implemented before the funding application (“retrospective projects”, Art. 55.4 CPR).

75. (§124, second indent, page 42) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: obliging Member States to recover ineligible expenditure from final beneficiaries as far as possible so that final beneficiaries bear the consequences of ineligible expenditure and not the national taxpayer and forwarding to Parliament information on those recoveries by the Commission if possible.

Commission's response:

The general rule already in the current programming period is that individual beneficiaries bear the cost of financial corrections when individual corrections are detected. When financial corrections result from weak administrative procedures at managing authorities or intermediate bodies level, the financial correction intends to cover a risk that irregular expenditure has been declared and to protect the EU budget. Such corrections can only passed on to individual beneficiaries if the managing authority carries out audits on individual projects.

The proposals for the 2014 -2020 programming period reaffirm the principle that financial corrections should in first instance be imposed to beneficiaries on the basis of individual projects. In addition they have been designed in particular to meet the European Parliament's concerns with the introduction of net financial corrections to Member States "where irregularities affecting annual accounts sent to the Commission are detected by the Commission or by the European Court of Auditors".

76. (§124, third indent, page 42) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: allowing the Commission to give Member States incentives not only to comply with the rules but also to implement Cohesion policy effectively, efficiently and economically.

Commission's response:

Cf. the Commission's reply to §1, fourth indent of the EP resolution and Commissioner Semeta's letter to the CONT chair (Ares (2012) 249442 of 02/03/2012).

The Commission has put forward legislative proposals for the period 2014-2020 which put a focus on results and effectiveness of the cohesion policy through:

- *objective based strategic programming;*
- *thematic concentration;*
- *a performance framework along with a system for performance review and the set-up of a performance reserve;*
- *a system of common indicators;*
- *notable focus on the quality of monitoring data incl. a possibility to suspend payments if monitoring data is not reliable;*
- *extended possibilities for the use of output or result based reimbursement systems.*

The Commission has proposed to establish a performance framework including milestones and final targets for every programme. The attainment of milestones would lead to the allocation of performance reserve. A serious failure to attain milestones which remains unaddressed would constitute grounds for suspension of payments. A serious failure to attain targets at the end of the programming period would provide a basis for financial corrections.

77. (*§124, fourth indent, page 42*) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: ensuring that a full range of sanctions (interruptions, suspensions, financial corrections, and penalties) are available for all funds with minimal scope for discretion when breaches of the rules are discovered.

Commission's response:

Cf. the Commission's reply to §1, fourth indent as well as §124, first indent of the EP resolution and Commissioner Semeta's letter to the CONT chair (ARES 249442 of 02.03.2012).

78. (*§124, fifth indent, page 42*) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: allowing the Commission to impose penalties on Member States or to discontinue operational programmes in Member States or regions which have repeatedly failed to implement Structural Funds and the Cohesion Fund correctly.

Commission's response:

Cf. the Commission's reply to §1, fourth indent of the EP resolution.

The Commission has made a proposal to reinforce the accountability of Member States and to reinforce its supervisory role by clarifying the use of sanctioning mechanisms (interruptions, suspensions, financial corrections and monitoring of performance). However the Commission did not propose a system "to impose

penalties on Member States or to discontinue operational programmes in Member States or regions which have repeatedly failed to implement Structural Funds and the Cohesion Fund correctly". The Commission considers that the proposed mechanisms, including net corrections, if well followed, allow ample room of action for the Commission to exercise its supervisory role on each programme implementation and at the level of Member states. Implementation is at programme level, and when cross cutting systemic issues are detected, the Commission has the power to use this supervisory tools for all programmes concerned in a specific Member State.

79. (*§124, sixth indent, page 42*) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element bringing legal actions if Member States persistently fail to respect their obligations under Article 258 TFEU.

Commission's response:

Concerning the effectiveness of sanctions, the Commission refers to its reply to §1, fourth indent of the EP resolution. In case of repeated breaches by the Member States of their legal obligations in the implementation of shared management programmes, the Commission may also decide to open infringement proceedings based on art. 258 TFUE, against a Member States, in particular where there is an evident breach of the Member States' duty of co-operation (art.4(3) TUE).

80. (*§124, seventh indent, page 42*) The Parliament invites the commission to create an effective sanctioning mechanisms so that the Commission can fully assume its final and overall responsibility for the implementation of the budget which should, inter alia, include the following element: transmitting to the Commission all relevant data and information the Commission needs in exercising its supervisory role as regards the implementation of the funds by Member States.

Commission's response:

Cf. Commission's reply to request §1, fourth indent, page 20 of "2010 discharge: EU general budget, Section III, Commission".

The Commission proposal foresees two areas for improved reporting from the Member States to the Commission: on the state of progress of programmes implementation through quarterly reporting to the Commission; this will function as early warning information for the Commission to exercise its supervisory role; and on the effective implementation of financial instruments in line with the recent amendment of the Council regulation (EC) N° 1083/2006 for the current programming period (see also Commissioner Semeta's letter to the CONT chair ARES(2012)249442 of 02.03.2012 and the Commission Staff Working Document SEC(2012)36 on financial instruments).

Agriculture and natural resources - qualified conclusion

81. (§127, page 43) The Parliament calls on the Commission to ensure that all databases are up to date and all anomalies are properly followed up.

Commission's response:

The requested action has been taken.

Although the Commission cannot ensure that all databases are up-to-date and that all anomalies are properly followed up, the Commission works with the Member States to ensure a continuous improvement of the supervisory and control systems. Recommendations are made in this respect as part of the normal audits and action plans are developed and implemented by Member States with serious problems. The Commission considers that these plans have been successful.

As far as the Land Parcel Identification System (LPIS) is concerned Member States have been obliged since 2010 to make an assessment of their system based on a common methodology and to take appropriate action if needed.

82. (§128, page 43) The Parliament invites the Commission to take the necessary measures to ensure that bartering arrangements if to be continued at all are transparent and cost effective.

Commission's response:

The Commission is taking the requested action.

As regards the food aid programme for the most deprived people, the European Parliament and Council Regulation (EU) No 121/2012 allows the continuation of the current scheme until the completion of the 2013 annual plan. According to the Multiannual Financial Framework proposal for 2014-2020, as of 2014 the food aid programme will be financed by the Cohesion budget (Heading 1 of EU budget). The adjustment of the tendering procedures (for example enhancing EU wide publicity of the tenders) will be addressed when laying down the implementing rules for the future scheme.

83. (§131, first demand, page 44) The Parliament encourages the Commission to further reduce the duration of the conformity clearance procedure while ensuring that Member States' right of defence is preserved

Commission's response:

The requested action has been taken.

While striving to reduce the duration of the conformity clearance procedure as much as possible, the Commission would like to point out that the time needed for completing the conformity procedure depends on a number of factors, some of which are outside the Commission's responsibility and control. Such factors include, for example, the complexity of the case, requiring additional work or even

additional missions, the respect of deadlines by the Member States and the follow-up of the recommendations of the Conciliation Body. Furthermore, quite often the target is exceeded in order to fully respect the Member State's right of defence, which is a fundamental principle of the conformity clearance procedure and explicitly required by Article 42(2)(c) of the Implementing Rules to the Financial Regulation.

84. (§131, second demand, page 44) The Parliament calls on the Commission to improve the link between the financial corrections imposed and the real amount of irregular payments

Commission's response:

The Commission has taken the requested action.

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU. The amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation. Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national control systems in order to reflect the financial risk for the EU. The Commission therefore considers there to be a valid link between this type of financial corrections and the level of irregular payments to final beneficiaries. In addition, the use of flat rates is fully in line with the objective of the conformity clearance and the most effective and efficient way of achieving this objective in case of weaknesses linked to the management and control systems of the Member States. The use of flat rates has been accepted by the Court of Justice as being in conformity with the legal rules governing the conformity work.

A more precise calculation of the financial loss for the EU budget has been possible in an increasing number of cases for the area aids on the basis of the updates of the national Land Parcel Identification System which the Member States have carried out.

Furthermore, the Commission has indicated to Member States that if their certification bodies fully re-perform a representative sample of transactions which the paying agency has checked on-the-spot and, on this basis, confirm the reliability of a Member State's control statistics, then the Commission will accept that the resulting error rate represents the maximum risk possible and that any financial corrections for the year in question would not exceed that level.

85. (§132, page 44) The Parliament invites the Commission to take further measures to eliminate the scope for interpretation and diverging practices by the Member States and to rigorously control Member States' systems for recoveries.

Commission's response:

The requested action has been taken.

According to the principle of shared management, the recovery of irregular payments from the beneficiaries is the sole responsibility of Member States.

However, the financial corrections imposed on Member States are a strong incentive for them to improve their management and control systems and, thereby, contribute to the legality and regularity of the transactions at final beneficiary level, thus decreasing the likelihood that irregularities might occur.

Moreover, the automatic clearance mechanism introduced in 2006 (the so-called "50/50 rule" whereby outstanding irregular amounts are automatically charged at 50% to the Member States when they are not recovered from the final beneficiaries within 4 years – or 8 years in case of judicial procedure) provides a strong incentive for Member States to complete recovery of undue payments from the beneficiaries as quickly as possible and protects the EU financial interests. As a result, and taking also into consideration the obligation (introduced in 2008) for the Member States to use off-setting as a recovery mean, the Member States performance in recovering the undue payments has significantly improved. For instance, by the end of financial year 2011, 60 % of the new EAGF debts from 2007 had already been recovered from the final beneficiaries, which is a significant improvement compared to the past.

In the context of its legislative proposals for the period 2014-2020 the Commission has proposed to the European Parliament and to the Council to go further with this automatic clearance mechanism, in view of further encouraging quick recovering from the final beneficiaries: instead of 50 %, 100 % of the outstanding irregular amounts would be charged to the Member States.

Divergent practices by Member States result from the fact that the rules for the recovery of irregular payments cannot all be harmonised at EU level, but essentially continue to be a matter of national law. The Commission has however issued guidelines to Member States and checks the correct implementation of recovery procedures by Member States in the context of its conformity audits. Whenever Member States' practices result in a non-compliance with the rules it entails a risk for the EU budget, they are pursued via the conformity clearance procedure.

Finally, in the context of the legislative proposals for the period 2014-2020 referred to above, the Commission has also proposed the introduction of a uniform time-limit of 1 year between the first indication that an irregularity has taken place on the one hand and the sending of the request for recovery to the beneficiary and the recording of the debt in the paying agency's debtors' ledger on the other hand.

External aid, development and enlargement - qualified conclusion

86. (§138, first demand, page 45) The Parliament recalls that the main risks linked to budget support (risk to effectiveness of the aid as well as risks of fraud and corruption) also do not materialise in the Statement of Assurance audit; invites the Commission to rigorously monitor those risks.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. As part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the Communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

87. (§138, second demand, page 45) The Parliament calls on the Commission to introduce budget support only under rigorous and well-defined conditions.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. As part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the Communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

88. (§141, page 45) The Parliament invites the Commission to encourage EuropeAid to complete as soon as possible the work on a methodology to calculate the level of 'residual error' which might remain after all controls have been executed and to share the results with the other external relations Directorates-General in view of achieving the necessary improvement of the Commission's management representations for external aid, development and enlargement.

Commission's response:

The requested action has been taken. See the comments concerning recommendation § 163 of the EP resolution on the general budget. The methodology to measure the residual error rate was approved in March 2011 and a

pilot study to test it and to elaborate a detailed work program for its full implementation was finalised in December 2011. A comprehensive study measuring the residual error rate is on-going and should be finalised at the beginning of 2013. The outcome of this initiative will be shared with the other external relations DGs to lay the foundations of a possible wider approach.

89. (§142, page 45) The Parliament calls on the Commission to allow a Deputy Head of Delegation, usually coming from a Member State, where one exists, to deputise for the Head of Delegation in his absence for all matters except the implementation of operational expenditure managed by the Union Delegation, which can only be sub-delegated to Commission staff.

Commission's response:

The Commission will not be taking the requested action. The reason is that the Heads of Delegation and Deputy Heads of Delegation are EEAS staff and not Commission staff. Therefore this recommendation should be addressed to the EEAS.

90. (§143, first demand, page 45) The Parliament is highly concerned about the 'flexible interpretation of eligibility for co-financed actions' or 'notional approach' with United Nations organisations which bears the risk of double financing of the same cost; believes that this also has a reducing effect on the Court of Auditors' error rate; is also deeply worried about the 'extended eligibility criteria' applicable under the Financial and Administrative Framework Agreement with the United Nations Agencies (FAFA) and the Framework Partnership Agreements with the Commission's implementing partners which also bear the risk of financing the same cost twice; calls strongly on the Commission to discontinue both practices

Commission's response:

The Commission is not aware of any specific problems with the 'notional approach' (which has been developed in recent years to allow the Commission to participate in multi-donor actions including trust funds). This approach guarantees that the legal requirements applicable to EU funding in external actions are met (by ensuring that the amount contributed by other donors is sufficient to pay for any activities which are ineligible under EU rules) while spending EU funds in the most efficient way (through donor coordination), in accordance with the principle of sound financial management. The Commission limits this risk by assessing the accounting, audit, internal control and procurement procedures of the partner international organisations in advance of any joint working, the presence of its staff in the field (and participation in steering groups) and the rigorous overall financial reporting required of the international organisation. In addition, during the implementation of external actions, systems are regularly reviewed through the performance of verification missions undertaken by external auditors. The Commission believes that these control measures together with those of the international organisation concerned limit this theoretical risk to a level where it is indeed negligible.

91. (§145, page 46) The Parliament encourages the Commission to implement a common template for the databases containing the contracts awarded by these two

DGs, where the minimum information provided should be: contract number/reference, title of the contract, theme/sector of intervention, contractor's name and nationality, country of intervention, amount, type of the contract and the duration (providing both the beginning date and the end date).

Commission's response:

The Commission considers that this information requested by the Parliament is already accessible, as DG BUDGET publishes in the framework of FTS (Financial Transparency System) all EC contracts.

92. (**§146, page 46**) The Parliament calls for a detailed report from the Commission on the total cost of advertising for EU enlargement (spots in cinemas, on television, the internet and other media), a breakdown of costs by the individual media and the countries in which the spots appeared, and detailed information on the implementing companies, from production to broadcasting; also expects a report on all other advertising activities of the Commission concerned with enlargement, together with a correspondingly detailed report and breakdown of costs.

Commission's response:

Information and communication activities on enlargement aimed at the general public in EU Member States are financed from the PRINCE communication budget managed by Directorate-General Enlargement. The annual budget is €5 million (budget line 22.02.10 01).

As part of these information and communication activities, the Commission implemented an audiovisual campaign aiming to raise citizens' awareness about EU enlargement and the current candidates and potential candidates. This campaign was implemented with Mostra S.A. Within this campaign, three different video clips, each with different target audiences, distribution channels and objectives, were produced and distributed.

In the contract for the audiovisual campaign EUR 445,000.00 were committed to cinema distribution, which covered over 3,000 screens over a period of 7-10 days in seven EU Member States (Austria, Belgium, Denmark, Finland, Germany, the Netherlands and the United Kingdom), thus ensuring some 3,075,225 viewers. EUR 312,000.00 was committed to the dissemination of the videos on the web, covering all 27 EU Member States. No TV advertising space has been bought.

The contract for the audiovisual campaign was awarded after reopening of competition between a pool of framework contractors invited to tender as part of an existing Framework Contract concluded by DG Communication.

The final invoice related to the contract has been received recently and was initially suspended in order to receive further clarification from the contractor. The Commission is therefore unable to confirm at this stage the breakdown of costs. The Parliament will receive the requested information as soon as it is available.

In 2010 EUR 87,000.00 was committed to online advertising in the context of the information and communication project on Southeast Europe: People and Culture, implemented with Media Consulta International Holding AG.

Union's aid to Haiti

93. (§147, page 46) The Parliament considers that the Commission should direct its efforts and funding to rehabilitation and development.

Commission's response:

The Commission does not differentiate between rehabilitation and development at the level of the financial instruments. The Commission directs most of its efforts and funding to long term development of partner countries and considers rehabilitation an important approach and step in the transition from humanitarian aid to development cooperation. The DCI and EDF for example allow financing for rehabilitation action in the long term development context; the Instrument for Stability for example clearly identifies rehabilitation and reconstruction activities within its framework.

94. (§148, page 46) The Parliament urges the Commission to ensure better coherence and complementarity between humanitarian aid and development aid, both at a policy level and in practice.

Commission's response:

The Commission is following up on this request, and shares the view that articulating more effectively humanitarian aid and development aid is crucial to break the vicious circle that moves many fragile countries from crisis to recovery, to the next crisis. The Commission is actively preparing an operational strategy on LRRD that will complement the work being done at policy level. At the level of the financial instruments (in the framework of the negotiation of the MFF 2014-2020, specific modalities/procedures that allow addressing transition challenges with management modalities which are more flexible and better respond to post-crisis/transition situations are proposed) and at the level of operations (Horn of Africa and Sahel initiatives for example).

95. (§149, page 46) The Parliament requests the Commission to provide Parliament with a list of projects which have been carried out during the last 15 years in Haiti with a detailed assessment of their current situation in order to see how sustainable they are since.

Commission's response:

A review of projects implemented over the last 15 years is not considered feasible. EuropeAid was in fact not in existence 15 years ago and such an exercise would have to be done with manual manipulation of archived paper files. The European Commission has a certain number of standard procedures in place to ensure regular periodic monitoring and evaluation of development projects. These evaluations and monitoring include indicators related to sustainability. In addition, the DEVCO evaluation plan includes a Country Evaluation for Haiti planned for 2013. On these grounds, DEVCO cannot justify diverting resources to an additional parallel exercise, as requested by the EP, as there is no available capacity in HQ or in Delegation to handle such an exercise. If the EC were to

undertake a specific parallel evaluation over the past 15 years as requested by the EP, the exercise would need to be outsourced to an evaluation team comprising several sectoral experts and support staff, with several missions in the field, running over several months.

Commission services (DEVCO+ECHO) and relevant services in the EP will meet to discuss concrete facts that have led to the statement that some projects in Haiti are not sustainable and to discuss specific follow up measures to be taken by the Commission services.

96. (§150, page 46) Takes the view that, in order to enhance visibility, not only the flag but also the name of the European Union should appear in PR documents rather than simply that of the Commission or of DG ECHO, which are much less identifiable to average Haitian citizens.

Commission's response:

Instructions in this sense will be sent to EU Delegation.

Research and other internal policies - qualified conclusion

97. (§ 156, page 47) The Parliament calls on the Commission to increase the support granted by the facility to universities and research organisations for their investments in PPP and research infrastructure projects of European interest with regards to the fulfilment of the smart public policy objectives of Europe 2020.

Commission's response:

The Commission's proposal for the next Framework programme, Horizon 2020, has been designed to support Europe 2020 smart growth objectives. It places a very strong emphasis on strengthening the excellence of Europe's science base, in which universities constitute some of the main actors. Universities will also undertake a major role in the other pillars of Horizon 2020, 'Industrial leadership' and 'Societal challenges', through a variety of means, but notably through their participation in multinational collaborative projects and partnerships. Regarding research infrastructures, the aim of Horizon 2020 is to facilitate and support their development and operation for 2020 and beyond. Funding is proposed to focus on networking and access and on maximising the innovation potential of these infrastructures.

The proposed resources are listed in the legislative and financial statement attached to the Commission's proposal.

There is great value in combining EU funding with other public and private sources of funding in order to achieve critical mass in addressing EU level challenges. This was demonstrated clearly in the Commission's Communication on partnering in research and innovation. This is why both public public and public private partnerships have been explicitly included as implementation options in the Horizon 2020 proposal with a clear set of criteria guiding the selection of which initiatives to fund.

Last but not least, the last FP7 call which was published in July, is by far the largest providing increased support to all potential beneficiaries including universities and research organisations.

98. (§ 157, page 47) The Parliament is worried that even in the case of doubt about the eligibility of cost declared, only limited ex ante checks were carried out (Annual Report, point 6.17 and example 6.2); insists that action be taken to remedy this situation.

Commission's response:

In line with efforts to simplify as far as possible its ex ante control procedures, the ex-ante desk checks performed are necessarily limited. This is to reduce the burden on the beneficiary, and ensure that payments can be made quickly. However, in case of doubt, and based on the risk assessed for each transaction, additional information can always be demanded. The Commission is continuing to review and improve its ex-ante checks. In particular it is aiming to identify more clearly transactions that may present a higher risk.

A number of audits on-the-spot are carried out after an analysis of risk by the auditors or ex-ante controllers. The proposals for Horizon 2020 will allow this approach to be extended. They will also remove a number of the sources of error that currently exist.

The Commission is also re-enforcing on-going efforts to provide guidance and feedback to participants and certifying auditors through a communication campaign.

99. (§ 158, page 47) The Parliament calls on the Commission to modify its ex ante control strategy and to apply a risk-based approach to address better specific risks of the cost statement and – in the case of a high risk – to extend the ex-ante control procedures to checks carried out on the spot.

Commission's response:

In line with efforts to simplify as far as possible its ex ante control procedures, the ex-ante desk checks performed are necessarily limited. This is to reduce the burden on the beneficiary, and ensure that payments can be made quickly. However, in case of doubt, and based on the risk assessed for each transaction, additional information can always be demanded. The Commission is continuing to review and improve its ex-ante checks. In particular it is aiming to identify more clearly transactions that may present a higher risk.

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The Commission is also re-enforcing on-going efforts to provide guidance and feedback to participants and certifying auditors through a communication campaign.

100. (§ 159, page 47) The Parliament calls on the Commission to make it common practice to formally communicate with the external auditors by providing feedback and requesting explanations in cases of unreliable audit certificates.

Commission's response:

Since 2008, the Commission has implemented a formal feedback process in all cases where the Commission's ex-post audits identify material differences with the certified cost statements and its own findings.

This is achieved either by writing to the beneficiaries inviting them to communicate the feedback to the certifying auditors or by directly addressing the certifying auditors.

The communication campaign is to raise the awareness of beneficiaries and certifying auditors of the rules, it has been launched in 2012 and will continue.

Views from a Development Policy perspective

101. (§163, page 48) The Parliament encourages the Commission to develop a coherent methodology for the external relations' directorates to calculate the residual error rate, to further improve its external audit framework and to uphold the highest control standards possible.

Commission's response:

The requested action has been taken. See the comments concerning the recommendations: § 5.37, fifth indent of the ECA's 2010 Annual Report. The methodology to measure the residual error rate was approved in March 2011 and a pilot study to test it and to elaborate a detailed work program for its full implementation was finalised in December 2011. A comprehensive study measuring the residual error rate is on-going and should be finalised at the beginning of 2013. The Commission constantly seeks to further improve its external audit framework and to uphold the highest internal control standards possible.

102. (§164, page 48) The Parliament encourages the Commission, in particular, to improve the quality of the ex-ante control, monitoring and reporting, supervision and risk-based audit functions of Union Delegations, where most of the errors were detected, to strengthen the capacity of the Delegations' operational and financial sections, to increase the resources available to Delegations for key monitoring activities and to systematise the monitoring framework, which includes introducing multi-annual monitoring and evaluation plans and strengthening monitoring guidance.

Commission's response:

Please see replies to §238, general budget resolution, §17 Special Report 13/2010 resolution, §29 Special Report N°1/2011 resolution, §47, first demand Special Report N°3/2011 resolution and §57 EDF resolution)

103. (§165, page 48) The Parliament urges the Commission and the EEAS, which was launched in December 2010, to finalise without delay working arrangements clarifying their respective roles and responsibilities in the programming and implementation cycle of external assistance, which includes the Delegations.

Commission's response:

Since the entry into force of the Lisbon Treaty, the Commission and the EEAS have immediately undertaken the necessary efforts to operationalise the division of tasks and responsibilities of the two entities. As a result, a comprehensive framework has been set up, including in particular the Working Arrangements (signed on 12 January 2012) and the Joint Decision on Cooperation Mechanisms concerning the Delegations of the European Union. These documents contain detailed rules on the repartition of tasks and responsibilities in the daily business.

104. (§167, page 49) Encourages the Commission to further improve the effectiveness of Union aid to the basic education sector in Sub-Saharan Africa and South Asia , in

particular by establishing realistic indicators and targets to monitor results effectively, by ensuring that Delegations assign staff with sufficient expertise and seniority to maintain sector policy dialogue with partner governments and other donors, and by focusing more on the quality of education and the capacity of beneficiary governments to cope with increases in school enrolment.

Commission's response:

The Commission is currently revising its guidance on indicators, target setting and monitoring. The COM's training sessions regularly include a session on the topic. Staff from HQ provide support on site through missions and remotely by electronic means. In some cases, support is provided by a EU Member State which has taken charge of following the sector (delegated cooperation). The COM is also planning to set up thematic hubs to improve quality support to EU Delegations.

105. (§168, page 49) The Parliament encourages the Commission to work more closely with the Global Fund to support and to monitor its country-level interventions in order to avoid the recurrence of such corruption cases and to improve the Global Fund's accountability and effectiveness.

Commission's response:

This is a continuous task to which no specific deadline can be attached. The Commission will continue to work on the Global Fund Board and those Country Coordinating Mechanisms where it is represented to improve management of fiduciary and programmatic risks so that the Global Fund continues to be able to fund relevant programmes in the poorest countries effectively.

106. (§169, page 49) The Parliament reiterates its call for the greater involvement of parliaments and consultation with civil society and local authorities in partner countries when drawing up and reviewing Development Cooperation Instrument (DCI) Country Strategy Papers and Multiannual Indicative Programmes.

Commission's response:

National Parliaments, Civil Society and Local Authorities have been identified as key stakeholder in the preparation process of both Country Strategy papers and the MIP. The Programming Instructions for DCI/EDF for the period 2014-2020 sent to EU Delegations on 16 may 2012 explicitly recognize their role under the paragraph 2.3 - Guiding Principles - Ownership in both the assessment of the National Development Plan, preparation of Country Strategy papers and Multiannual Indicative Programmes.

Views from an Employment and Social Affairs Policy perspective

107. (§172, page 49) The Parliament expects therefore the Commission to improve its supervision of transposition into national law and audit the admissibility of projects that receive funding; considers public procurement applies less to the ESF.

Commission's response:

The Commission is following up transposition of Union Directives in a systematic way to ensure that any necessary changes are made in national legislation. As far as EU funding is concerned, extensive guidance and training have been made over the last years to managing and certifying authorities and targeted actions to some programme authorities are being intensified in 2012.

108. (§179, page 50) The Parliament considers that the Commission should extend its auditing to include a communication to Parliament on the added value of Union funding.

Commission's response:

The triennial Cohesion report already contains an evaluation of the added value of EU funding. Moreover every year the Commission publishes a progress report on Social Economic and Territorial Cohesion.

In order to deliver greater European added value, the Commission is of the view that the programmes need to concentrate their support on EU priorities and coordinate with other EU policies and financial instruments. The present socio-economic crisis has confirmed the importance of directly linking European funding for public investment to the investment needs identified on the European level. Therefore the Commission's proposal for a new regulation for the Funds covered by the Common Strategic Framework Structural Funds for the programming period 2014-2020 is strictly linked to the objectives of the EU2020 strategy.

Some of the proposals contained in the above mentioned proposal for the new regulation will contribute to shift the Commission's control more towards performance audit. The introduction of ex post conditionality implies performance-triggered financial corrections. Failure to achieve milestones may lead to suspension of funds, and a serious underachievement in meeting targets for a programme may give rise to cancellation of funds.

The Commission's proposal for a regulation 2014-2020 also introduces the notion of macroeconomic conditionality in order to ensure that the effectiveness of EU funding is underpinned by sound economic policies.

109. (§181, page 50) The Parliament encourages the Commission to support Member States effectively in developing and submitting projects to the Globalisation Fund in order to help workers to find new jobs and to develop new skills when they have lost their jobs as a result of changing global trade patterns or the global financial and economic crisis.

Commission's response:

The Commission is taking the recommended action. The Commission recently updated its guidance notes of Frequently Asked Questions (FAQ), which help Member States preparing applications and implementing measures. The FAQ collection can be found on the EGF web site: <http://ec.europa.eu/egf>. Commission staff also regularly visits Member States at their request to advise them regarding the details of applications being prepared.

Twice a year, the Commission and the Member State EGF Contact Persons meet in Brussels for exchanges of information and good practices. In addition, the Commission organises specific seminars on issues of concern to the Member State preparing and implementing EGF cases.

EGF technical assistance funds can be used to strengthen the administrative capacity of Member States in elaborating their applications and implementing EGF support. Several Member States are responding to this challenge by contracting out specific tasks to implementing bodies.

110. (§184, page 51) The Parliament Expects the Commission to produce detailed reports on the pilot projects.

Commission's response:

Twice a year (once in the framework of the Draft Budget and later in the autumn, usually), the Commission produces reports on Preparatory Actions and Pilot Projects addressed to the Budgetary Authority.

These reports are centralised by DG BUDGET.

Views from an Internal Market and Consumer Protection Policy perspective

111. (§185, page 51) The Parliament stresses the need for the Commission to rely on more efficient forecasting mechanisms for payment needs in order to improve the budget execution.

Commission's response:

Action has been taken: The forecasting efforts have been enhanced in 2011. The implementation rate of payment credits in 2011 for Chapter 17.02 equals 98.4%.

112. (§186, page 51) The Parliament encourages the Commission to take steps towards identifying the best ways to spend the allocated means.

Commission's response:

According to SANCO, this recommendation relates to the implementation of the Pilot Project on BL 17.0204 - Transparency of financial markets.

The first two phases of the pilot project (Training of consumer organisations in financial services and mapping of the EU non-profit organisations that provide financial advice to consumers) were carried out. As regards the third and last phase, i.e. the organisation of training sessions in all EU Member States, a contract was signed in December 2011 and trainings will be provided from the first quarter 2012 till December 2013.

113. (§188, page 51) The Parliament once again calls on the Commission to analyse the effectiveness of the current financing programmes for SMEs and to explore the development of new joint financial instruments.

Commission's response:

In order to analyse the effectiveness of the financial instruments in the current programme for SMEs (the CIP), the Commission carried out an interim evaluation and a final evaluation of the programme, as well as an ex-ante impact assessment before making the Commission proposal for COSME.

The new COSME programme has been carefully designed to avoid overlaps with other Commission programmes that also foresee support for SME finance through integrated financial instruments that have different windows to satisfy different policy objectives (COSME and Horizon 2020).

114. (§189, page 51) The provision of public information on the Your Europe Portal should be stepped up and that it should be more widely promoted among Union citizens and businesses.

Commission's response:

The Commission agrees with the recommendation to widely promote the Your Europe portal as a single gateway to information for citizens and businesses about their EU-rights.

In line with the recommendation of the EP, the promotion efforts were stepped up and aligned with the steps of further development of the portal and the availability of language versions.

In 2010, a promotion campaign for Your Europe was launched to create awareness for the newly revamped YE portal. The campaign aimed at promoting the URL (europa.eu/youreurope) with the message that this portal provides access to information and help on single market rights. Due to the limited availability of languages at that time, but also to the necessity to first gather internal and external political support for Your Europe, promotional activities in 2010 focused on multipliers and stakeholders in Brussels (Commission colleagues, institutional partners, EP, Ombudsman, Committee of the Regions,...) as well as communication networks and assistance services in the Member States (Europe Direct, SOLVIT, Your Europe Advice experts).

In the first half of 2011, the Commission promoted Your Europe through web advertising, presence on a social media platform (Facebook), participation in events/fairs (for example, Schuman day/Open day). A number of promotion materials were produced to support the awareness-raising activities (leaflets, posters, videos).

In the second half of 2011, the work focused on the promotion of Your Europe at national level (for instance in Poland through the Single Market Fair), involving the Commission Representations in the Member States and the 500 Europe Direct information centres. Furthermore, an active linking policy with national pages was pursued as well as search-engine optimisation to attract more internet-users to the portal.

A substantial promotion campaign for both Your Europe (online information) and Europe Direct (personal information) was conducted between January and March 2012 as a joint project of DG MARKT and COMM. The campaign was composed of several elements to reach out to specific target groups: 4 thematic banners (focussing on business, healthcare, social security and a more generic one) appeared on news, travel and business websites of the 27 Member States (translated in all languages). The banners were also placed on social networks (Facebook, LinkedIn). Brochures, posters and info kit were sent to multipliers in all Member States (target: mobile job seekers, workers and students). Health and travel posters were placed in Copenhagen airport, Frankfurt airport and Paris Gare de l'Est.

Your Europe moved to the inter-institutional level of Europa on 1 February 2012 to increase the visibility of the portal and its ranking on the main search engines.

The number of users of the Your Europe portal increased steadily. Nowadays, the average number of users is for the citizens portal 200,000 per month, for business

80,000 per month. Further efforts are needed and planned to exploit the full potential of Your Europe.

115. (**§190, page 51**) The Parliament calls on the Commission to draw on the conclusions of that study and to take action in order both to improve the quality of the services offered and to ensure stable financing for the ECC-Net.

Commission's response:

The Draft Consumer Programme 2014-2020 foresees an adequate financing for ECCs over the period. In addition, the Commission intends to work with the co-financers on the basis of multiannual financing agreements in order to ensure a better stability of financing over the years.

Regarding quality of services, a specific objective has been added into the ECC vademecum which forms part of the grant agreement. Each year, ECCs will have to commit to apply a quality plan from 2013 onwards and the Commission will work on an harmonised quality charter to be included in the vademecum when ready.

116. (**§191, page 51**) The Parliament calls on the Commission to strengthen its efforts to ensure that the Member States' account statements for the purposes of traditional own resources are accurate, and to enhance national customs supervision to avoid errors in amounts of traditional own resources collected, in line with the Court of Auditors' recommendation (point 2.21); encourages the Commission, therefore, to make further efforts to simplify the legal framework, notably in order to resolve remaining problems in some control systems.

Commission's response:

The Commission will continue to examine the Member States' customs accounting statements of traditional own resources to ensure that they are accurate, and to verify that the Member States have satisfactory customs controls in place in order to avoid errors in the amounts of traditional own resources collected. It will request remedial action when weaknesses are found.

117. (**§192, page 52**) The Parliament asks the Commission to explore different options to improve the balance between simplification and control in order to reduce the administrative burden for SMEs.

Commission's response:

The Commission has presented in November 2011 its proposal for the Horizon 2020 research and innovation programme, including its rules for participation.

The proposal comprises a radical simplification of the funding rules and a re-orientation of the control strategy. This will reduce the administrative burden in particular for SMEs. E.g.: the number of SMEs having to undergo an ex-ante financial capacity check will be further reduced; a single funding rate and a unique flat rate for indirect costs will remove the needs for SME status validation; SME owner-managers without a salary can use a scale of unit costs for charging

personnel costs; the number of certificates on financial statements will be further reduced, the time-to-grant will be considerably reduced.

118. (§193, page 52) The Parliament underlines that efforts need to be made towards improving current control systems.

Commission's response:

The Commission is continuously monitoring its control systems to further improve their effectiveness. However, the fact that the ECA is finding errors that have not been detected by the Commission's controls can also be explained by the fact that no control system can provide absolute assurance that no errors will occur, that the Commission implements multi-annual control systems in many areas compared to the ECA's annual approach and the fact that errors sometimes are defined differently by the Court and the Commission. A contributing factor to errors occurring is complex eligibility rules and the Commission has recently proposed to simplify these for the next programming period; the outcome of this lays now in the hands of the legislative authority. Cost-effectiveness of controls should also be considered in this context and the revised Financial Regulation will include provisions to this effect.

The entry into force of the revised Financial Regulation and, subsequently, of the various regulations governing the sectoral spending programmes would require a revision of the control systems implemented within the Commission. The Commission will strive to ensure that these are cost-efficient and proportional to risks.

119. (§194, page 52) The Parliament acknowledges the efforts made by the Commission in the implementation of the Modernised Customs Code; notes the delays in the process and urges the Commission to set a more realistic deadline.

Commission's response:

On 20 February, the Commission tabled a proposal to recast the Modernised Customs Code, now called Union Customs Code. The proposal foresees to make the whole Code applicable 18 months after its publication. As regards the IT infrastructure, the implementation will be in stages and spelled out in a plan that the Commission will draw up within six months after the entry into force (= publication +20days) of the UCC. The plan to deploy the IT infrastructure covering all customs operations under the Code is ambitious and requires full commitment of all stakeholders (Commission and MS), in terms of human resources, expertise and funding of IT. The proposed deadline for deployment of the IT infrastructure of 31 December 2020 is based on the assumption that such commitment is ensured. The FISCUS programme is designed to offer the necessary support.

120. (§195, page 52) The Parliament repeats its demand to the Commission that it should forward to Parliament and to the Council, each year, a more detailed description of expenditure against each budget line compared with the remarks made in respect of the line.

Commission's response:

All budget lines carry remarks which indicate the destination of the appropriations and specify the legal base (if any) for the measures corresponding to the line concerned.

Moreover, the level of resources requested by the Commission is thoroughly justified by means of Activity Statements attached to the annual Draft Budget, which provide a detailed description of all the Commission's operational activities making up the various policy areas and the resources (human and financial) allocated to them. Activity Statements also depict what benefits are rendered to the beneficiaries of EU programmes by justifying the Commission's DB in terms of performance information (EU added value, objectives, indicators, outputs, major achievements and evaluation results, implementation rates).

Activity Statements cover each chapter of the Budget except the chapters concerning administrative expenditure. They are also established for operational Activities managed by DGs that have no budget line attributed to it.

In addition to Activity Statements, the Commission also submits to the Budget Authority another six technical volumes which provide complementary detailed information and justification for the budgetary requests, including administrative expenditure.

121. (§197, page 52) The Parliament calls on the Commission to further modify the Union regulatory framework; moreover, to ensure the uniform management of VAT exemption by customs authorities.

Commission's response:

The audits carried out by the Court in Member States cover the period before the modification of Article 143(2) of the VAT Directive entered into force and before the administrative arrangement has been implemented by all Member States. The Commission will evaluate the effectiveness of these measures together with the Member States and is prepared to take appropriate action (including proposals to change the legislation) if necessary.

122. (§199, page 52) The Parliament calls on the Commission to continue working with Parliament and the Council and to ensure that future programming activities in the Union respect the principles of simplification, sound financial management and accountability

Commission's response:

The Commission issued a dedicated Communication on simplification in February 2012 after all of its sector specific proposals for the 2014-2020 programming period had been tabled (COM(2012)42). The Commission is monitoring progress made in the current simplification agenda via a dedicated scoreboard, which tracks simplification measures proposed by the Commission as well as those proposed by the Legislative Authority. The scoreboard will also identify measures not accepted by the Legislative Authority and will assess the additional administrative burden

for beneficiaries generated by new measures which may be introduced in the legal acts. This scoreboard will be made regularly available to the European Parliament and the Council. The final edition of the scoreboard concerning the legal acts as they are finally adopted by the co-legislators will be made available to the EU Institutions, the national Parliaments and the public.

With regard to accountability the Commission has proposed in the context of the triennial revision of the Financial Regulation and in its proposal for next sector specific rules to introduce management declarations of assurance in indirect and shared management, with the aim to enhance the accountability and the ownership of the bodies managing EU funds. The Commission has also supported European Parliament's recommendation to introduce voluntary national declarations in the area of shared management.

With regard to sound financial management, the principle in the Financial Regulation will be enhanced in the revised regulation with a new provision which requires that cost and benefits of controls as well as the risk of error are taken account of when new or revised spending proposals are put forward (cost-effective controls). In anticipation of these requirements, Directorates-General included already in the legislative proposals for the post-2013 spending programmes an estimation of the costs and benefits of controls implied by the control systems and an assessment of the expected level of risk of error. This information is expected to be taken account of during the legislative procedure.

Views from a Transport and Tourism Policy perspective

123. (§203, page 53) The Parliament calls on the Commission to present, on an annual basis, lists of tourism and transport infrastructure projects, co-financed by cohesion and regional funds.

Commission's response:

Cf. the Commission's reply to request §81 of "Resolution on EU general budget, Section III, Commission" on publication of lists of beneficiaries and improved possibilities to sort out this information.

124. (§204, page 53) The Parliament calls on the Commission to extend this results-oriented review process to other directorates-general and Union policies.

Commission's response:

The review and reporting procedures in place for each financial programme depend on different factors such as the legal framework that has been put in place and the type of management that applies. These can only be changed at the next opportunity. The proposal that the Commission made for a regulation on the Common structural funds (COM(2011)615) for the next MFF includes provisions on a performance review and reserve. These provide for assessments at specified dates in the implementation of Member State programmes. The assessments look at the extent to which Member State programmes have attained the milestones set according to priorities. Dependent on the assessment made, the Commission has the possibility to suspend interim payments or apply financial corrections. This is a clear example of the commitment of the Commission to tying funding to tangible progress with projects, with a view to making the best possible use of the financial resources available.

125. (§206, page 54) The Parliament welcomes the 'Project bonds' initiative, and calls on the Commission to monitor the effectiveness and multiplier effects of this new instrument.

Commission's response:

The Commission is taking the requested action.

The pilot phase of the project bond initiative is being launched in the second half of 2012. During the pilot phase, the Commission together with the EIB will inform the Council and the Parliament semi-annually on the implementation and the performance of the initiative.

126. (§207, page 54) The Parliament is disappointed at the low uptake of payment appropriations for transport safety (65 %); calls on the Commission to provide a detailed explanation this underspending and the measures it will take to ensure that the problem does not recur in future.

Commission's response:

The requested action has been taken. This low rate is the consequence of various actions for which costs were lower than expected or were postponed. The problem has been addressed by a more efficient follow up of planning and in 2011, the execution was significantly better with a 95% execution rate.

127. (§209, page 54) The Parliament calls for steps to ensure that the innovative applications and services supported by the Egnos and Galileo programmes are properly funded, developed and implemented, and are viable, with a view to maximising the programmes' potential.

Commission's response:

Regarding the development of downstream markets, the Commission adopted in June 2010 a GNSS Applications Action Plan to promote the use of satellite radio navigation in what it considers to be priority fields.

Three calls for proposals have been issued under the Seventh Framework Research and Development Programme (R&D FP7), with a total value of around € 120 million. The first two calls made it possible to fund around 100 projects.

The Commission published a third R&D call for proposals under FP7 aiming at funding and developing GNSS-enabled applications and services, based in particular on EGNOS and Galileo.

Through this third call for proposals 39 projects have been selected and kicked off in January 2012, with the consequence that 100% of the budget allocated to GNSS downstream activities under FP7 has been used.

The applications will be further financed under the new Horizon 2020 legal basis as from 2014.

128. (§210, page 54) The Parliament calls on the Commission to follow the Court of Auditors' recommendations concerning the management and control of ERDF funding for tourism projects and to make use of the provisions of the Lisbon Treaty to propose a multiannual tourism programme; with appropriately funded budget lines.

Commission's response:

The Lisbon Treaty only grants the EU the competence to complement, support and coordinate the actions of the Member States in the tourism field, without therefore intervening in the infrastructure investment priorities of the Member States (possibly eligible for co-financing under the ERDF funds).

According to the EU competence in the field of tourism, the Commission proposed that tourism related actions be included under the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020). The main aims of the COSME programme should be, amongst others, to provide a better access to enterprise financing, European services to

support SMEs and to promote entrepreneurship. The Commission proposed a budget of 2.5 billion EUR for the period 2014-2020 for the COSME programme (including tourism related actions for around 130 Million EUR).

129. (§211, page 55) The Parliament is concerned about the proportion of commitment appropriations carried over (14,5 %); calls on the Commission to give a detailed explanation as to why these appropriations were carried over.

Commission's response:

The requested action has been taken. The appropriations carried over correspond mainly to services for which no invoices had been received by the end of 2010. To address this issue, the Agency has taken steps to further improve budget execution, including better planning and the introduction of interim payments.

130. (§212, page 55) The Parliament requests that a report be attached to each year's budget on the unspent appropriations carried over from previous years, explaining why those monies have not been used and how and when they will be used.

Commission's response:

The requested action has been taken. An Information Note is provided by the Commission in February of each year on the budget implementation in the previous year. The information note contains a full chapter on the implementation of credits carried forward. For information, credits carried forward from 2010 by DG MOVE were fully executed in 2011.

Views from a Civil Liberties, Justice and Home Affairs Policy perspective

131. (§214, page 55) The Parliament encourages the Commission to reduce the level of carryover of payments in the budget for the Area of Freedom, Security and Justice.

Commission's response:

The requested action has been taken. In the Area of Freedom, Security and Justice, there were no substantial non-automatic carry-overs by the Commission decision of payment appropriations to 2012 (EUR 0,4 million), compared to EUR 23,1 million carried over to 2011 in the previous period.

The increased level of payment appropriations non-automatically carried over to 2011 was mostly caused by one-off events specific to that year, which did not reoccur in 2011. Notably, this carry-over aimed to cover cash requirements not provided in the budget for 2011 mainly due to the following reasons:

1. Later adoption of 5 annual programmes under the External Borders Fund for the countries participating in this Fund for the first time in 2010 (i.e. Bulgaria, Romania, Iceland, Switzerland and Norway). The inter-service consultation for these annual programmes was finalised at the end of 2010 and the adoption process was completed in March 2011. As a result, the first prefinancing payments to those 5 countries planned for 2010 were made in 2011.

2. Several second prefinancing under the European Return Fund were initially foreseen for 2010, but requested in 2011.

*3. The rescheduled payments as a result of the revised global schedule for the entry into operation of the second generation Schengen Information System II.**

** Commission Staff Working Document: Report on the global schedule and budget for the entry into operation of the second generation Schengen Information System (SIS II), SEC(2010) 1138 final, September 2010 (sent to the Parliament on 21.09.2010).*

Views from a Culture and Education Policy perspective

132. (§ 217, page 55) The Parliament calls on the Commission to continue its efforts in order to ensure that all national agencies take up their responsibilities.

Commission's response:

The Commission agrees that primary controls remain an area for attention as confirmed by the AAR 2010. Along with continuing to stress to the National Agencies the importance of attaining the set levels and documenting the related process, the Commission continues to follow-up closely the compliance with these requirements and to remind the National Authorities of their supervision responsibilities in this domain.

The Commission has taken the following actions during 2011 and 2012:

- provided continuously the NAs with the necessary framework and technical guidance to perform timely and qualitative primary checks on beneficiaries;*
- provided the NAs with individual feedback, as part of the yearly evaluation conclusions on the programme implementation, on the compliance with the minimum requirements for primary checks and followed-up on the progress achieved in view of previously expressed recommendations for remedial actions. This approach has become a standard part of the Declaration of Assurance/Yearly NA Reports evaluation exercise;*
- introduced a new IT tool "Lifecard" which keeps track of the progress on all observations and recommendations addressed to the NAs, including on primary checks;*
- reiterated the importance of compliance with the minimum requirements for primary checks at every NA Directors' meetings;*
- kept the primary checks as a key area of focus during the Declarations of Assurance/Yearly NA Reports evaluation exercise as most observations issued to NAs in 2011 were in that area;*
- commissioned a study on the cost of controls so as to optimise the effectiveness of the primary checks and improve their modalities in view of the future programmes.*

133. (§ 220, page 56) The Parliament demands the disclosure of all contracts and recommendations relating to the TV-network and evaluations made by the selection committee.

Commission's response:

All contracts and recommendations relating to the EU TV-network project and evaluations made by the selection committee have already been requested by an MEP member of the CULT Committee and sent out by the Commission pursuant to the provisions of Regulation 1049/2001. They are at the disposal of the EP.As

regards financial appropriations initially flagged for the EU TV network project, the Commission has implemented them in full compliance with the provisions of the Financial Regulation and its Implementing Rules, i.e. in full compliance with budgetary comments and, when required, the mechanisms applicable to budgetary transfers of appropriations (prior notification or authorisation of the budgetary authority).

Environment and Climate action

134. (§ 224, page 56) The Parliament encourages further Commission's efforts to provide training annually to national authorities and to organise seminars in each Member State to provide general information on the objectives of LIFE+ and on how to prepare a successful proposal.

Commission's response:

The Commission welcomes this recommendation. The annual training for the LIFE national contact point has proven a success and it is now a standard action foreseen in the management plan of DG ENV. The LIFE information sessions previously carried out by an external contractor are currently directly managed by DG staff. Also this action features as a standard in each year management plan. For this reason DG ENV considers this recommendation as completed and will ensure these two actions will continue in the future on yearly basis.

Public Health and Food Safety

135. (§233, page 57) The Parliament calls on the Executive Agency to significantly reduce its carried forward amounts by revising its budget planning and reporting instruments in order to respect the annuality principle of the Union budget; has also taken note of Commission's annual report on internal audits carried out in 2010 and encourages the Executive Agency in cooperation with its partner DG to work on issues addressed such as IT governance and architecture.

Commission's response:

The Agency takes note of the Court's finding that the carried forward appropriations, particularly Title III of the Agency's operating budget, should be further reduced. To this aim the Agency shall further revise its budget planning and reporting tool, and initiate actions of the Work Programme earlier in the year. Consequently, rates of executed payment appropriations should increase at year end. The EAHC will continue to cooperate with its partner DG to work on issues addressed such as IT governance and architecture, especially in the framework of the extension of the agency's mandate.

Views from a Foreign Affairs policy perspective

136. (§238, page 58) The Parliament calls on the Commission and the EEAS to take and implement all necessary measures to improve the regularity of payments.

Commission's response:

The Commission has taken all the necessary measures to improve the regularity of payments and to ensure that the European Court of Auditors' error rate for the external aid chapter for 2011 will fall below the materiality threshold of 2% (as it did for the first time in 2010).

137. (§239, page 58) The Parliament invites the Commission to rigorously monitor the main risks linked to budget support.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. As part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the Communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

138. (§240, page 58) The Commission should, for all interventions, carry out systematic evaluations through the prism of cost/benefit ratio, as recommended by the Court of Auditors in its Special report ; insists that Parliament, as a branch of the budgetary authority, be informed about the findings of such evaluations, including the findings of evaluations covering CFSP activities.

Commission's response:

It has not been part of the Commission's policy to carry out systematic project evaluation. Moreover, when carried out evaluations follow the five DAC criteria (Relevance, efficiency, effectiveness, impact and sustainability) and do usually not allow for a cost-benefit analysis.

139. (§241, page 58) The effectiveness of assistance in respect of the goals of Union Foreign Policy needs to be systematically evaluated and should include additional criteria - such as, for example, the strategic interests of the Union, the need for a Union presence on the ground, or the implementation of projects and actions fostering Union values and fundamental principles - should also be taken into consideration.

Commission's response:

The Commission, through independent consultants, carries out systematic ex-post evaluations of its activities, and the reports of key evaluations are sent to Parliament and published on the Commission's website. The evaluations are carried out in accordance with internationally-agreed criteria, including on efficiency and effectiveness, respecting the principles and pursuing the overall policy objectives as set out in Art 21 (TEU) for the different areas of external action.

140. (§242, page 58) The Parliament calls therefore for greater efforts in respect of donor coordination inside the Union, with third countries and international organisations.

Commission's response:

The Commission agrees that enhanced donor coordination is needed and is fostering further progress at partner country level, in line with the outcome of the 4th High-Level Forum on Aid Effectiveness (Busan, 29 November-1 December 2011). Most significantly, along with the EEAS, it is promoting joint programming of external assistance of the EU and its Member States. As stated in the EU common position for the Busan Forum, it is open to third donor countries and international organisations that are committed in a given partner country. Such an approach should include a joint analysis and response to partner countries' development strategies in-country division of labour (who works in which sectors), so going beyond mere donor coordination.

Joint programming has been endorsed to be conducted in already several countries (Ethiopia, Ghana, Guatemala, Laos, Mali and Rwanda). In view of spreading the joint programming approach in other partner countries, EU Delegations have been tasked to assess with Member States' embassies its feasibility, in the setting of the programming of EU external assistance under the multiannual financial framework 2014-2020.

Views from a Regional Development Policy perspective

141. (§244, page 59) The Parliament calls on the Commission and the Member States to ensure, under shared management, that the trend shows a consistent decrease in the error rate.

Commission's response:

The Commission is committed to take all necessary actions to ensure a consistent decrease in the error rate: increased use of interruption and suspension tools until systems deficiencies are remedied, implementation of financial corrections for past expenditure, targeted audits on high risk programmes and authorities (to bridge the assurance gap and to ensure effective and efficient audits and management verifications at national level), on-the-spot monitoring and cooperation combined with training and guidance in particular to those programmes authorities which are most in need. In the Staff Working Document SEC(2011)1179 of October 2011 the containing an analysis of the errors detected by the Court of Auditors between 2006 and 2009, the Commission also explained the targeted actions taken against the programmes and Member States that contribute more to the error rate The Commission notes that the last two annual reports indicated a promising evolution of the error rate, well below the rates reported in 2006-2008. The Commission encourages Member States to pursuit their strict efforts to continue and reach a positive trend over years.

142. (§246, page 59) The Parliament underlines the need for the Commission to simplify the rules in order to ensure more user-friendly procedures and not to discourage potential beneficiaries from participating in projects.

Commission's response:

The Commission confirms its firm objective to make programmes implementation simpler for beneficiaries and for the national administrations.

The current programming period comprised already efforts to simplify the rules and make them more compatible with rules at national level. Additional efforts were made in 2008-2010 to further simplify rules for ERDF projects by extending to them rules on simplified costs already in place for ESF operations since the beginning of the 2007-2013 period.

The Commission's proposal for 2014-2020 thus contains innovative elements aiming at further preventing errors and streamlining the delivery mechanisms, at clarifying some eligibility rules (for example the proposal clearly prohibits the possibility for managing authorities to select projects physically completed or fully implemented before the funding application) and at simplifying the implementation for beneficiaries (for ex. e-cohesion). The Commission's proposal on the ESF Regulation (Art. 14) extends the simplified costs options. For instance it foresees the possibility for the Commission to define standard scales of unit costs and lump sums by delegated act; it introduces a flat rate based on eligible direct staff costs and makes lump sums or standard scales of unit costs mandatory for small grants (i.e. grants for which the public support does not exceed € 50.000).

The harmonisation of rules across the CSF Funds in itself will lead to a simplification of the framework for beneficiaries implementing operations financed from different sources. The Commission has also proposed a mandatory shift to e-cohesion (electronic data exchange between beneficiaries and the administration) by 2014 which should lead to a substantial reduction in the administrative burden of beneficiaries. The proposals contain new possibilities for the calculation of simplified costs (flat rates, unit costs and lump sums) that allow for simpler and wider use of output and result based payment schemes. As regards very small grants, proportionate audit arrangements have been envisaged to ensure that the burden of control is proportionate to the financial allocation.

Procedural changes have also proposed to simplify project management e.g. Member States will be obliged to reimburse expenditure incurred by the beneficiary before declaring this expenditure to the Commission, reducing the probability of liquidity issues for beneficiaries.

143. (§247, page 59) The Parliament calls on the Commission to simplify the financial engineering instruments' rules, as their current complexity limits their use; recommends more in-depth analysis to ascertain the real effect of these instruments and the guidelines on implementation.

Commission's response:

The Commission considers that deficiencies in implementation for the current period relate more to sound financial management than to compliance with regulatory requirements. In the current programming period clarification has been provided through guidance notes. In its proposals for 2014-2020 the Commission proposed specific rules for FIs that represent a major step forward in clarification and simplification of rules, as well as improved reporting to better monitor the effective implementation and use of such instruments.

An on-going evaluation exercise, and well as an exercise to collect additional detailed data from Member States should provide such analysis on the real effect of these instruments.

Cf. also the Commission's replies to §1, first indent and §21, first indent to §21, fourth indent of the EP resolution.

144. (§248, page 59) The Parliament calls on the Commission to reinforce its assistance to Managing Authorities (MAs), through targeted workshops, guidance notes, circulation of best practices and training of officials responsible for management, given that the majority of errors occur at the first level control.

Commission's response:

Cf. the Commission's reply to §244 of the EP resolution.

DG Regional Policy will report in its 2012 AAR on the actions taken to follow-up on the 2011 AAR, in particular on all general and specific training and guidance actions carried out for high risk programme authorities. The needs for such actions have been identified in the 2011 AAR as a follow-up to reservations (cf.

section 3.2 on reservations and in particular tables for individual Member States pp. 129-133 and section 3.4 "overall action plan" pp.140-141).

Views from a Fisheries Policy perspective

145. (*§261, page 61*) Notes the retention of DG MARE's reserve for management and control systems relating to FIG (Financial Instrument for Fisheries Guidance) operational programmes in Germany – packaging plant; notes that this is a long-standing, complex programme that began in 2001, and calls on the Commission to bring it to a close soon, at the same time safeguarding Union's interests

Commission's response:

The recommendation is accepted and the residual value of the investment (if any) is being evaluated. Once established, the amount of the expenditure to be corrected in the closure exercise will be certain. The amount so determined will be deducted in closure of the programme concerned which is on-going.

Special report No 7/2010 "Audit of the clearance of accounts procedure"

146. (§6, first indent, page 3) The Parliament insists that the Commission provide the following information: what amounts, fields and years of expenditure might yet be audited and how many financial corrections (minimum and maximum figures) might be made in respect of which Member State.

Commission's response:

The Commission has already provided global figures for the amount of expenditure which is likely to be excluded from financing by future conformity decisions in note 6 to the financial statements 2010 of the Commission. However, it is not possible to do this per Member State as long as the administrative procedures in question are not concluded.

147. (§6, second indent, page 3) The Parliament insists that the Commission provide the following information: what conformity decisions actually relate to which financial years and how those decisions alter the figures for financial years in respect of which discharge has already been granted.

Commission's response:

The requested action has been taken.

Information with regard to which conformity decisions relate to which financial years has already been made available in Annex 35 to the Commission staff working document accompanying the financial report on the EAGF 2010 financial year.

148. (§6, third indent, page 3) The Parliament insists that the Commission provide the following information: a precise estimate as to how many necessary corrections are not made as part of the conformity procedure and how many corrections can no longer be made in conformity decisions due to the 24-months rule.

Commission's response:

It is not possible to provide information on the "necessary corrections" which are not made as part of the conformity clearance. An extrapolation of the findings of the audited part of expenditure to the non-audited part is not appropriate given that the respective sample is risk-based. Furthermore, information on how many corrections can no longer be made in conformity decisions due to the 24 month rule cannot be provided. In theory this could apply to all financial corrections as an inherent consequence of the 24 month rule.

149. (§7, first demand, page 3) The Parliament calls for greater initiative from the Commission to train the administrative authorities of the Member States.

Commission's response:

The Commission has taken the requested action.

The Commission already makes considerable efforts in this respect: in particular it already participates in three conferences every year with the directors of the paying agencies as well as two "Panta Rhei" conferences with their IT experts. It uses these and other fora to present audit findings and foster the exchange of best practices. Moreover, it does not exclude that for certain specific key topics it would organise a specific training event.

150. (§7, second demand, page 3) The Parliament calls on the Commission to provide structured back-up for, and to promote, the exchange of information by paying agencies and certification bodies using their networks and seminars, to communicate examples of best practice and to prepare joint solutions to legal problems by means of interpretation.

Commission's response:

The requested action has been taken.

The Commission participates in three conferences every year with the directors of the paying agencies and organises a simplification experts group with several meetings per year. These and other fora are used to present audit findings and foster the exchange of best practices

151. (§8, page 3) The Parliament calls for a system to reward correct statements and penalise incorrect ones, particularly where systematic errors are identified which have not been declared in advance.

Commission's response:

The Commission does not intend to propose a system for rewarding correct statements and reports and penalising incorrect ones since its role is limited to protecting, through financial corrections to be imposed on Member States, the EU budget against expenditure which should not be charged to it.

152. (§9, page 3) The Parliament calls on the Commission to ensure that officials of national paying agencies and of certification authorities are not penalised by their national authorities and their directors for reporting corrections to the Commission.

Commission's response:

The Commission cannot ensure that national officials are not penalised by their administrations, as it cannot interfere in internal matters that fall under the responsibility of the Member States.

153. (§10, first demand, page 3) The Parliament calls on the Commission to include paying agencies and certification authorities where there is a rapid turnover of staff in a risk-based audit and to include a communication to the discharge authority in the annual activity report.

Commission's response:

The requested action has been taken.

Amongst the general evaluation of the "risk-status" of the paying agency as it stems from the reports prepared by the certification bodies, the Commission takes account of significant staffing issues in the paying agencies as part of the risk analysis for audits to the Member States. Where this risk status affects the accreditation of the paying agency this is reported in the AAR.

154. (§10, second demand, page 3) The Parliament insists on an analysis of the correctness of the statements of assurance and that the discharge authority be informed of the error rate per Member State, indicating the main sources of errors.

Commission's response:

The requested action has been taken.

An analysis of the correctness of the statements of assurance and the details of the error rate are already provided in the Annual Activity Report of DG AGRI. The error rates per Member State can be found in Annex 7 of the AAR 2010. Certification authorities are subject to audit when the evaluation of their reports shows that work was not done to standard.

155. (§11, page 4) The Parliament calls for a review of the procedures which are employed to take conformity decisions, for the group of experts to be deployed more rapidly for the purpose of conciliation and for a targeted use of conciliation itself.

Commission's response:

The Commission will be taking the requested action.

The Commission reflects on how the conformity procedure can be made more effective and efficient. Internal reflexions in this direction have already started, including the most appropriate timing of the intervention of the conciliation body in the overall procedure.

Special report No 13/2010 "Is the New European Neighbourhood and Partnership Instrument successfully launched and achieving results in the Southern Caucasus (Armenia, Azerbaijan and Georgia)?"

156. (§14, page 4) The Parliament calls on the Commission to follow the Court of Auditors' recommendations by streamlining the procedures, improving the links between the strategic programming documents (European Neighbourhood Policy action plans, Country Strategy Papers and National Indicative Programmes) and making the timing of those documents more coherent, with the guiding objective of offering neighbouring countries the prospect of an increasingly close relationship with the Union.

Commission's response:

See response to recommendation 1, § 71, of ECA's Special Report No 13/2010 on "Streamline the programming and design process".

157. (§15, page 4) The Parliament urges the Commission to follow the Court of Auditors' recommendation to choose sector budget support more selectively by considering all available options in ENPI and to develop a more balanced deployment of the different tools.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. As part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the Communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

158. (§16, page 4) The Parliament is concerned by the audit's findings that programming and design of assistance were not sufficiently guided by a structured dialogue with beneficiary countries; Calls on the Commission to take the necessary measures in order to strengthen this dialogue.

Commission's response:

See response to recommendation 1, § 71, of ECA's Special Report No 13/2010 on "Streamline the programming and design process".

159. (§17, page 4) The Parliament calls on the Commission and the European External Action Service (EEAS) to consider the Court of Auditors' recommendation that sufficient staff support be provided, also on the spot, including experts on budgetary support, and to assist strengthening of the general framework of the state

administration of the beneficiary countries, using measures complementing the Twinning tool.

Commission's response:

See response to recommendation 3, § 75, of ECA's Special Report No 13/2010 available at:

<http://eca.europa.eu/portal/pls/portal/docs/1/7896724.PDF>

160. (***§18, page 5***) The Parliament welcomes the pilot programme implemented by the Commission, that implies result-oriented monitoring and which is explicitly tailored to Sector Policy Support Programme operations, and expects an evaluation report on the added value acknowledged in the three countries.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

Special report No 14/2010 "The Commission's management of the system of veterinary checks for meat imports following the 2004 hygiene legislation reforms"

161. (§21a, page 5) The Commission is requested to endeavour to level out the different treatments of Member States in third countries and to take action against the resulting discriminatory competitive disadvantages.

Commission's response:

Under Veterinary Agreements with third countries, total equivalence is rarely achieved, meaning that the national legislation of the importing third country applies to exports from Member States. Differences could therefore exist between Member States in achieving third countries' sanitary requirements or meeting their level of control of these requirements. Reductions in physical checks on imports – that may be foreseen in such agreements - have been agreed only in cases where the Commission Inspection Service, the Food and Veterinary Office (FVO) is confident that controls on the relevant commodities are conducted in accordance with EU legislation. The Commission deploys all its efforts to promote exports from Member States in the framework of these respective agreements.

162. (§21b, page 5) The Commission is requested to instruct the Member States to use the existing information systems more effectively and to integrate them to a greater extent, in order to improve coordination between border inspection posts and customs authorities.

Commission's response:

The existing information systems, such as TRACES and RASFF, are not only highly effective tools, but ones for which every effort has been made to ensure that they are applied in a uniform manner in every Member State. Recent visits to Member States have shown that the weaknesses found by the Court have been overcome and that substantial improvements have already been made in using TRACES. Further developments are underway, such as the new "iRASFF" system launched in June 2011 which is expected to be fully operational during the course of 2012.

TAXUD and SANCO are working on a Single Window Project for automated validation of the veterinary certificates (Common Veterinary Entry Documents) between TRACES and the customs clearance systems. A proposal for Member States (covering a vision document and business specifications) for programming the automated link of the two systems should be available by the end of the year.

The Commission is also currently reviewing Regulation 882/2004 on official controls and will devote efforts to improving the coherence of the import controls chapter. The main objectives will be the simplification and clarification of the legal framework and the consolidation of an integrated approach to import controls across the entire food chain. Insofar as TRACES is concerned, the review of Regulation 882/2004 represents an excellent chance to further upgrade the system so as to guarantee the rapid handling, managing and exchange of data,

information and documents on official controls. The review will also call for a further integration of TRACES with existing computerised systems.

It should be noted that a specific cooperation requirement between competent authorities (BIPs), customs authorities and other authorities handling goods arriving from third countries will also be proposed with the review of Regulation 882/2004. The Regulation will require the said authorities to cooperate closely so as to ensure that official controls are carried out appropriately. For this purpose, they shall be obliged to guarantee reciprocal access to relevant information, and ensure its timely exchange, including via electronic means. COM will also propose an empowerment to establish the arrangements that the said authorities will need to put in place to ensure effective cooperation.

163. (§21c, first demand, page 5) The Commission is requested to assist the Member States with the development, implementation and evaluation of the national monitoring and control plans.

Commission's response:

Meetings are being held regularly with Member States and the Commission has adopted guidelines to assist the latter in preparing the annual report on the single integrated multiannual national control plan (COM Decision 2008/654/EC). Guidelines laying down criteria for the conduct of audits under Regulation (EC) No 882/2004 (COM Decision 2006/677/EC) have also been adopted.

Guidance documents have been drawn up for certain aspects of veterinary import controls in agreement with Member States to assist in ensuring a more harmonised approach.

164. (§21c, second demand, page 5) The Parliament is of the opinion that, with due consideration for the principle of subsidiarity, a basic set of analyses should be established in order to cover the detection of common categories of hormonal residue (e.g. anabolics) and/or environmental contaminants (dioxins, heavy metals), etc., and that their application should be mandatory.

Commission's response:

The legislation on border veterinary controls is currently under review as part of a wider package of legislative measures expected to be agreed by the Commission and presented to Council and Parliament during the third quarter of 2012. One objective of this package is to have a legal framework to allow the development of a more targeted and risk-based programme of physical checks for veterinary controls, including through the use of IT tools such as TRACES. During this review the Commission will also consider the need to establish minimum mandatory control requirements (including where appropriate minimum laboratory tests) in certain cases.

165. (§21c, third demand, page 5) As a first step, efforts could be made to raise awareness through the 'Better training for safer food' programme (BTSF) in order to raise awareness of this issue in the competent authorities of the Member States.

Commission's response:

The Commission organises workshops regarding import controls in border inspection posts and on the use of TRACES at import under its Better Training for Safer Food (BTSF) programme in order to disseminate best practices for border control procedures, improve knowledge of this complex area of work and ensure consistent and high implementation levels across the EU.

166. (§21d, page 5) The Commission is requested to submit a proposal to Parliament and the Council to enable legislative or judicial action to be taken against Member States that regularly and over an extended period infringe Regulation (EC) No 882/2004 , thus jeopardising the safety of European citizens.

Commission's response:

Article 56 of Regulation 882/2004 allows the Commission to adopt safeguard measures if:

"(a) the Commission has evidence of a serious failure in a Member State's control systems;

and

(b) such failure may constitute a possible and widespread risk for human health, animal health, animal welfare, or plant health either directly or through the environment."

The measures envisaged in Article 56 can only be adopted once Commission controls have confirmed non-compliance with Union legislation and the Member State in question has failed to correct the situation upon request and within the time limit set by the Commission.

Besides the above, whenever there is evidence of repeated serious violations of EU law the Commission has the possibility to initiate infringement proceedings.

The Commission can also rely on other initiatives to enforce compliance with Union requirements. These include: issuing guidance, administrative letters and holding high level meetings.

167. (§21e, first demand, page 6) The Commission is requested to harmonise the implementation of reinforced checks and to arrive at a precise and clear formulation of the rules governing reinforced checks at border inspection posts.

Commission's response:

The Commission has developed with Member States, in the relevant Task Forces and Working Groups, detailed procedures for the implementation of more harmonised re-enforced checks. The rules laid down in legislation have thereby been more fully outlined. A new re-enforced check module was introduced in TRACES, and since January 2012, re-enforced checks are monitored through TRACES to ensure better co-ordination EU-wide. The guidance document on re-

enforced checks at border inspection posts was agreed by MS in June 2012 and is available at:

http://ec.europa.eu/food/food/biosafety/animalbyproducts/guidance_article_24_11_25_5_2012_en.pdf

The review of Regulation 882/2004 will propose an empowerment for the Commission to adopt acts on re-enforced checks.

168. (§21e, second demand, page 6) The Commission is also requested to consider introducing a prescribed number of laboratory tests for Member States following checks on goods at border inspection posts.

Commission's response:

Regarding the request to consider introducing a prescribed number of laboratory tests for Member States following checks on goods at border inspection posts, the Commission's replies to §21c to the Special report No 14/2010 resolution apply.

The legislation on border veterinary controls is currently under review as part of a wider package of legislative measures expected to be agreed by the Commission and presented to Council and Parliament during the third quarter of 2012. One objective of this package is to have a legal framework to allow the development of a more targeted and risk-based programme of physical checks for veterinary controls, including through the use of IT tools such as TRACES. During this review the Commission will also consider the need to establish minimum mandatory control requirements (including where appropriate minimum laboratory tests) in certain cases.

169. (§22, page 6) The Parliament notes that European meat and food producers must comply with rigorous production and quality standards; is greatly concerned that those production standards do not apply to third country producers exporting to the Union, as the Court of Auditors also noted; requests the Commission to address this issue and to submit proposals without delay to Parliament and the Council on appropriate ways of mitigating the ensuing negative impacts on the competitiveness of European meat and food producers.

Commission's response:

The Commission has taken the requested action as far as it is in its remit.

The Commission recognises the concern expressed by the European Parliament, but the EU operates as part of the international community. While the SPS Agreement of the World Trade Organisation allows theoretically higher levels of protection to be set on the basis of certain principles, it is only international standards – that have been established at a global level – that apply, indiscriminately, to all trading partners. There are therefore limits as to how far a trading partner, such as the EU, can impose its own specific standards on others. The EU can do this, and indeed it does, only when there is a clear perceived risk to safety.

Insofar as other standards are concerned, such as standards related to the environment and/or animal welfare, the Commission seeks to address the negative impacts that may arise on the competitiveness of European producers by undertaking efforts, in both bilateral and multilateral fora, to develop a level playing field at an international level. In particular, the Commission includes provisions on standards imposed in Europe in the trade agreements concluded with third countries. It discusses issues of interest, offers training and works closely, particularly in the international standard-setting bodies, in the field of animal and plant health, and food safety, to shape and define international standards on the basis of EU practices and norms. These continued efforts seek to ensure that rules apply equally to operators both in the EU and elsewhere.

Special report No 1/2011 "Has the devolution of the Commission's management of external assistance from its headquarters to its delegations led to improved aid delivery?"

170. (§25, page 6) The Parliament encourages the Commission to complement the criteria and to strengthen the procedures for assessment of the quality of the projects financed, in order to increase the quality of aid and to further decrease the number of non-performing projects.

Commission's response:

The Commission services have, over time, been in a process of regular and progressive strengthening of criteria and procedures for the assessment of new projects and programmes. In accordance with the new communication COM (2011) 638 The Future Approach to EU Budget Support to Third Countries, guidelines for the designing and implementation of budget support programmes have been revised, taking these points into account, notably including a chapter on performance assessment. Presently, the Commission services are working on a new set of overall Programme and Project Management Guidelines as well as the instructions for the internal quality support process. They will take these revisions into account when updating the methodological training courses provided to Commission staff in Headquarters and in EU Delegations so as to ensure they have the appropriate skills.

171. (§26, page 6) The Parliament calls on the Commission to consider the promotion of local consultations, where possible, when deciding on aid projects and monitoring their progress.

Commission's response:

The Commission already holds discussions with civil society and local authorities during the consultation phase of the programming, as indicated in the version of Development Cooperation Instrument (DCI) for 2014-2020. The European delegations and the Headquarters regularly organise consultation and information meetings. In 2011, 1.296 formal consultations with CSOs at the programming stage and 9.748 informal meeting were held. More than 64.000 people attended these meetings. However, during the selection process of aid projects the Commission has to avoid "conflict of interests" between the different organisations.

172. (§27, page 6) The Parliament expects that the Commission will take all the necessary measures to overcome the weaknesses of the supervisory and control systems, notably at Union Delegations' level.

Commission's response:

The Commission continues to take all the necessary measures to overcome the weaknesses of the external aid supervisory and control systems, notably at EU Delegations level, and to ensure that the European Court of Auditors' error rate

for the external aid chapter for 2011 will fall below the materiality threshold of 2% (as it did for the first time in 2010).

173. (§28, page 6) The Parliament considers that the high turnover of staff in the DG for Development and Cooperation – EuropeAid, as well as the insufficient numbers of staff with appropriate qualifications in the Union Delegations, should be addressed without delay; is of the opinion that, where necessary, the Commission should cooperate with the EEAS with a view to ensuring an appropriate human resource capacity for aid management in the Union Delegations; expects a detailed report from the Commission by the end of 2012 in which measures are planned and introduced to overcome these shortcomings.

Commission's response:

The Commission is taking the requested action.

The rather high turnover of staff is an issue in HQ notably for contract agents (CA) which currently have contracts with a duration of maximum 3 years. Given that it is not possible to extend these contracts under the present regulations, mitigating measures are put in place through appropriate handover mechanisms. This should, however, be reduced with the entry into force of the new staff regulation in 2013 which will foresee an extension of the maximum duration of CA contracts by 2 or 3 years (i.e. from the current 3-year to a 5 or possibly 6-year duration). In Delegations, on the contrary, most of CA have a permanent contract. The report on the use of Commission resources in the EU Delegations dated 12/03/2012 and the adoption by the Commission on 11/07/2012 (reference SEC(2012)461) of the Roadmap for the implementation of the workload assessment report aims at ensuring that the Commission has the appropriate human resources in EU Delegations, that the work is fairly distributed between Delegations and to efficiently implement the Development Policy. The rebalancing of staff is seeking at having the right number of staff with appropriate expertise. In addition, the productivity gains will enable the Commission to reinforce Delegations to reflect political and policy priorities and to launch the creation of regional hub for Budget support and thematic expertise.

174. (§29, page 7) The Parliament encourages the Commission to require the Union Delegations to systematically carry out technical and financial monitoring visits to the projects and to focus the internal reporting system more on the results achieved by the aid interventions.

Commission's response:

The Commission is taking the requested action. Technical and financial monitoring visits to the projects in delegations are one of the most important elements contributing to the follow-up of activities along with implementation reports, contacts with the beneficiaries, ROM reports, evaluations and audits. In the current context of budgetary restrictions where decreasing financial resources are allocated to the missions, the monitoring visits to the projects will have priority over the headquarters missions.

175. (**§30, page 7**) The Parliament calls on the Commission, with the active participation of the Union Delegations, to analyse and identify possibilities to leverage the aid programmes in the partner countries with the involvement of the European Investment Bank as well as European national and international institutions financing development.

Commission's response:

In line with the Agenda for Change, the programming exercise to prepare the implementation of the next Multiannual Financial Framework takes into account the importance of leveraging EU's aid programmes through the use of innovative financial instruments and the blending of grants and loans, together with the European Investment Bank as well as European national and international institutions financing development.

Special Report No 2/2011 "Follow-up of Special Report No 1/2005 concerning the management of the European Anti-Fraud Office"

176. (§31, page 7) The Parliament urges the Commission to implement without further delay the recommendations made in Special Report No 1/2005; expects to be fully informed on the progress made in implementing the outstanding 12 recommendations.

Commission's response:

Implementation of some of the Court's recommendations which the Commission fully or partially accepted was achieved with the re-organisation of OLAF on 1 February 2012 while the revision of Regulation 1073/1999 which is expected to be concluded later this year will contribute to the implementation of the remaining recommendations.

177. (§33, page 7) The Parliament calls on OLAF to improve its time management in such a way as to ensure better allocation of tasks in order to reduce time spent on non-investigative tasks

Commission's response:

OLAF's new organisational structure implemented on 1 February 2012 aims to clarify responsibilities and to streamline processes. Three OLAF directorates are dedicated exclusively to investigative activities. This means that OLAF has increased its resources attributed to investigations by 33% and 61% of staff are now working on core investigative activities. OLAF has implemented new investigation procedures, which should lead to a reduction in the average time spent on investigations. The case selection process put in place will focus investigative resources towards clearly set Investigation Policy Priorities (IPP). All policy responsibilities of the Office are located in one Directorate.

178. (§35, page 7) Although there is an explicit will in the Commission's amended proposal for a Regulation amending Regulation (EC) No 1073/1999 (COM(2011)0135) to put in place a review procedure, this will not be equal to an independent control of the legality of individual investigations and is thus even weaker in this regard than the initial proposal; recalls that this is a key demand, reflected also in the case-law of the Court of Justice; therefore considers it a must to ensure such a control mechanism, not only in order to protect the rights of the persons or economic operators concerned but also to protect the rights of the investigators of OLAF from legal proceedings initiated by those persons or economic operators; also stresses the need for a clear mandate for OLAF with regard to the other institutions of the Union

Commission's response:

The proposal for the revision of Regulation 1073/1999 will consolidate the procedural guarantees of persons concerned and make them more visible. The procedural guarantees of persons concerned are already protected in the existing legal framework. Even though it does not consider OLAF's investigative actions

(including the Final Reports) as acts adversely affecting the persons concerned, the Court of Justice has contributed to an independent control of the latter, notably through possible actions for damages.

The possibility to appoint a review adviser to deal with complaints already exists in practice. Such a review adviser has been appointed on several occasions to check the legality of the investigative actions and the compliance with the procedural guarantees of the persons concerned. In addition, the re-organisation of OLAF established integrated investigative units having staff with legal expertise to ensure continuous legal examination throughout the investigation lifecycle. A review prior to the closure of investigation and transmission of its findings will be done by the Investigation Selection and Review Unit, providing further protection procedural guarantees. The relevant provisions have been included in the Instructions to Staff on Investigative Procedures which entered into force on 01/02/2012.

179. (§37, page 8) The Parliament urges the Commission to establish a system for information dissemination which is unified, clear and comparable and which will enable full and objective evaluation of OLAF's activities.

Commission's response:

The future development of CMS (Case Management System) is currently under evaluation by the OLAF Taskforce on IT systems. The solutions are to be defined by mid-2012, followed by an implementation phase.

An OLAF Taskforce on Statistics on the performance of OLAF has been set up to examine possible improvements in the performance statistics. These will be reflected in the reporting cycle for 2012.

180. (§41, page 8) The Parliament urges OLAF to further enhance cooperation with Member States on a robust legal basis; supports in this respect the idea of further consolidating the existing different legal bases with a view to enhanced cooperation.

Commission's response:

The revision of Regulation 1073/1999, which is currently underway, already addresses the issue of OLAF's competences and procedures. It will also consolidate and reinforce relations between OLAF and the Member States' competent authorities. Furthermore, the revision foresees that Member States will designate an authority to ensure good cooperation with OLAF and encourage the conclusion of Administrative Cooperation Arrangements (ACAs) with the competent Member States' authorities. The Commission is generally in favour of an overall consolidation of the anti-fraud legislation. However, given that this is a very complex issue involving different pieces of legislation, it is not envisaged in the framework of the ongoing reform of Regulation 1073/1999, but is considered as a longer term objective.

Special Report No 3/2011 "The efficiency and effectiveness of EU contributions channelled through United Nations Organisations in conflict-affected countries"

181. (§44, page 9) The Parliament calls on the Commission to ensure transparency with regard to the Union funds to be spent by the UN during the annual budgetary procedure, to improve the planning of spending with the UN and to speed up its internal procedures so as to achieve quicker results.

Commission's response:

Transparency on the allocation of UN funds is already ensured. Every year, the Commission publishes a comprehensive list of the financial commitments taken with each UN agency in the framework of EU development cooperation. The results of the 2011 exercise can be found at the following address: http://ec.europa.eu/europeaid/who/partners/international-organisations/documents/europeaid_financial_contributions_to_the_un2010-2011_full.pdf

182. (§45, page 9) The Parliament urges the Commission to present to Parliament, before the end of March 2012 at the latest, an action plan with clear and contractual milestones, specifically designed to improve drastically the reporting system for all projects and programmes financed via the joint management mode and delegated to the UN agencies.

Commission's response:

Comprehensive joint EC-UN reporting guidelines have already been developed and have been in force since April 2011 after the FAFA Working Group adopted them for a trial period of one year. In April 2012, the same FAFA Working Group endorsed these guidelines in their same form. The endorsed guidelines reiterate the obligations of the UN and the legal framework that regulates reporting, both narrative and financial. However, they also explain what the EU expects to see in a good report, through setting out the key principles that should guide both Commission and UN staff. Thus, reports should focus on results and impact; they should be on time and they should cover the entire action. Also, the guidelines stress the need to consider carefully the results expected and the importance of putting in place appropriate indicators from the start – failure to do this will compromise reporting later on. The endorsed guidelines can be found at the following address:

http://ec.europa.eu/europeaid/work/procedures/financing/international_organisations/other_documents_related_united_nations/document/joint_guidelines_reportin_g_2011_en.pdf

183. (§46, page 9) The Parliament calls on the Commission, when financing projects with other donors through a Multi-donor Trust Fund, to know the exact proportion of the project which is funded.

Commission's response:

The Commission agrees on the principle, bearing in mind that the respective financing share of donors varies over the lifespan of the Multidonor Trust Fund (new donors, draw-back of donors...). This means that a precise proportion of the project which is funded can be known only at the end of the action, which can be much after the Commission exits the action. The Commission can know the proportion of its contribution to fixed budget projects with a fixed lifespan (e.g. trust funds with no more than two donors).

184. (§47, first demand, page 9) The Parliament shares the Court of Auditors' view that the Commission's controls on legality and regularity should be complemented by adequate checks on the effectiveness and efficiency of projects; calls on the Commission, therefore, to define, together with the EEAS, clear and measurable objectives and to set up adequate control measures.

Commission's response:

Each project/programme includes a framework defining the specific objectives and expected results as well as indicators to measure their achievement. Recently, the Commission services have reinforced their operational monitoring and control of project implementation by revising the External Assistance Management Report (EAMR) requesting EU Delegations to complete, twice a year, an assessment of the efficiency and effectiveness of the projects. Moreover part of the projects are subject to an external monitoring and/or evaluation.

185. (§47, second demand, page 9) The Parliament recalls that Parliament has called for statements of assurance from the implementing partners and insists on this request; asks the Commission to formalise those statements and to make them available to Parliament during the discharge procedure.

Commission's response:

The Commission underlines that within the revised Financial Regulation (Article 57) a management declaration will be required by the legislative authority as at 1/1/2014. This declaration shall provide reasonable assurance that the action carried out by the implementing partner has been properly and regularly implemented. This annual declaration will be required from our implementing partners every year with a view for the Commission to exercise its responsibility within the discharge procedure.

186. (§47, third demand, page 9) The Parliament shares the Commission's Internal Audit Service (IAS) recommendations that ex-ante controls be carried out in contract agreements and payments in order to check the eligibility of costs proposed and claimed; insists that discussions on those issues must be documented in the file.

Commission's response:

The Commission is not clear to which IAS audit recommendations the resolution refers. The Commission's use of ex-ante checks on transactions - be they contractual or financial - is extensive. Training and guidance (including standard

checklists) is continuously being updated and made available to improve the quality and comprehensiveness of these checks including the publication of the new guide 'The DEVCO Financial Companion' in 2011.

187. (§48, page 9) The Parliament asks the Commission to update Parliament on the use of the revised Union-UN reporting guidelines.

Commission's response:

As stated in the reply to § 45, Special Report N°3/2011 resolution, joint EC-UN reporting guidelines were adopted by the FAFA Working Group in April 2011 for a trial period of one year. After this trial period, in April 2012 the same FAFA Working Group endorsed these guidelines in their same form. The endorsed guidelines reiterate the obligations of the UN and the legal framework that regulates reporting, both narrative and financial. The Commission intends to report on the use of these guidelines by the end of August 2013.

188. (§49, first demand, page 10) The Parliament calls on the Commission to apply a cost comparison mechanism to identify and avoid overbilling and to refuse additional indirect costs resulting from subcontracting.

Commission's response:

In order to implement activities, a structure of financial circuits is put in place in DG DEVCO. This structure ensures that before an operation is authorised, the operational aspects are initiated and verified by two operational members of the staff: an operational initiator and an operational verifier and the financial aspects are initiated and verified by two members of the financial staff, financial initiator and financial verifier. The staff members performing the verification are not the same as those who initiate the operation. A part of the work performed by these different actors involved in the financial circuit includes applying cost comparisons to identify and avoid overbilling and to refuse additional indirect costs resulting from subcontracting.

189. (§49, second demand, page 10) The Parliament asks the Commission to carry out joint investigations together with UN if there are doubts about the credibility of projects.

Commission's response:

The Commission contracts with external consultants to evaluate projects with the full cooperation of the UN. In addition, the Commission contracts with external auditors to undertake verification missions of UN projects based on the relevant delegation's risk assessment, with the full cooperation of the UN. EuropeAid does not, however, agree that an additional layer of 'joint investigations' is desirable or necessary.

190. (§51, page 10) The Parliament asks the Commission, if its own services continue to be given insufficient access to UN auditors' working documents pursuant to the FAFA agreement, to withhold future payments on the corresponding files, in

application of the specific provisions of the Financial Regulation used in case of lack of justifications.

Commission's response:

As reported in the 2011 Annual Activity Report of EuropeAid, there were significant improvements in the Commission's access to UN auditors' working documents in 2011 which have continued into 2012. Governing bodies of a number of UN agencies have made formal decisions in 2011 and 2012 to allow Commission access to their internal audit reports relating to projects on which the EU Budget/EDF contributes, notably the UN Children's Fund, the UN Development Programme (UNDP), the UN Office for Project Services, the UN Population Fund, the World Food Programme, the UN High Commissioner for Refugees, the Food and Agriculture Organisation and the UN Relief and Works Agency (reporting as of April 2012). In addition the Commission and the UNDP agreed a formal protocol for the disclosure of UNDP internal audit reports to the European Commission which was signed by both parties on the 20 April 2012.

Furthermore the Commission is not aware of any problems having been encountered by the European Court of Auditors in accessing UN data for the purposes of its annual declaration of assurance for 2011.

191. (§51, page 10) The Parliament invites the Commission to report to Parliament's Committee on Budgetary Control, during the next discharge exercise, on the basis of the evolution of the situation, both on access to audit reports and on the quality of reporting; asks the Commission to refrain from delegating new projects and programmes to the UN agencies if those measures are not implemented.

Commission's response:

As reported in the 2011 Annual Activity Report of EuropeAid, there were significant improvements in the Commission's access to UN auditors' working documents in 2011 which have continued into 2012. Governing bodies of a number of UN agencies have made formal decisions in 2011 and 2012 to allow Commission access to their internal audit reports relating to projects on which the EU Budget/EDF contributes, notably the UN Children's Fund, the UN Development Programme (UNDP), the UN Office for Project Services, the UN Population Fund, the World Food Programme, the UN High Commissioner for Refugees, the Food and Agriculture Organisation and the UN Relief and Works Agency (reporting as of April 2012). In addition the Commission and the UNDP agreed a formal protocol for the disclosure of UNDP internal audit reports to the European Commission which was signed by both parties on the 20 April 2012.

Furthermore the Commission is not aware of any problems having been encountered by the European Court of Auditors in accessing UN data for the purposes of its annual declaration of assurance for 2011.

For reporting issues please see reply to § 48 Special Report N° 3:2011 resolution.

192. (§52, page 10) The Parliament expects to hear from the Commission whether there has been any change in the 1:10 leverage effect of the financial instrument apparent in 2009 or in the loss rate of approximately 0,045 % noted by the Court of Auditors at the end of 2009.

Commission's response:

The requested action has been taken. The Commission is hereby informing the Parliament that as of 31/12/2011, the EIF had reported 32.7 m EUR of guarantees called, which constitutes 8.7% of the EU budgetary commitment of 376 m EUR. The leverage ratio for the committed amount, based on actual loan volumes, has reached 27. Due to the long term nature of the programme and the pattern of the defaults of disbursed loans – particularly as affected by the current financial crisis -, the Commission expects a further increase in payments in response to guarantee calls on the defaulted underlying loans. The Commission would like to point out that the Programme will not stop at the end of the commitment period in 2013, since the guarantee calls on the defaulted underlying loans will continue to be paid after 2013 for up to a further 10 year period.

193. (§54, page 10) The Parliament expects the Commission to discuss and address the issues of Union added value and of deadweight in a credible way.

Commission's response:

The requested action has been taken. In the proposals for the successor programmes, tabled by the Commission in November 2011, the Commission is fully aware of the need to pay special attention to Union added value and deadweight. In addition to the Loan Guarantee Facility planned in the COSME programme, which would cover loan guarantees to all SMEs for loans up to EUR 150 000, the Commission is also planning a facility specifically targeting RDI-intensive SMEs in the Horizon 2020 Framework Programme. A pilot (RSI) for this instrument will run in 2012-2013. Furthermore, the recent CIP/EIP final evaluation provided analytical suggestions that have been embedded into the Commission's new proposals. Please note that the Commission proposals that are already tabled include comprehensive impact assessment studies.

As emphasised in the Commission Communication on innovative financial instruments (COM (2011)662 final, see p. 8-9 in particular), the independent evaluation of the overall Entrepreneurship and Innovation Programme found evidence that the SME Guarantee Facility has achieved EU value added. However, the Commission has accepted the Court's recommendation to consider how EU value added could be maximised in any successor to the instrument. This is being taken into account with an increased focus on ensuring EU added value in the planning for the next generation of financial instruments in the 2014-2020 MFF and value added considerations are covered in the Impact Assessments for the successor programmes.

As regards the "deadweight", the Commission would like to point out that the portfolio approach was accepted by the ECA, so all eligible loans shall be included in the EU guaranteed portfolio. "Deadweight" should not be seen as synonymous with inefficient budget allocation. SMEG guarantees are provided on a portfolio basis as opposed to a loan-by-loan guarantee, otherwise the budgetary cost of such guarantees would be much higher due to lower risk diversification.

The CIP is addressing potential deadweight issues in its design by requiring an intermediary to do more (i.e. to take more risk) than it would do without the CIP guarantee, as the guarantee is conditional upon the intermediary exceeding the reference volume.

While accepting the portfolio approach, the Court's recommendations pointed to maximising access to finance to those SMEs that lack collateral or are innovative. The Commission's COSME proposal will address SMEs that lack sufficient available collateral and Horizon 2020 will target innovative companies.

194. (§55, page 11) The Parliament asks for clarification as to how many staff in the Commission and in the European Investment Fund (EIF) are involved in the management of the SMEG facility and how high the respective administrative costs are.

Commission's response:

The requested action has been taken. The Commission hereby reports that the number of staff of EIF involved in the management of the facility (between 11-13 full time equivalent) may vary and EIF is therefore remunerated on the basis of performance rather than the number of staff. The EIF aggregate fees are capped at 6% of the Aggregate Net Signatures (commitments) over the full programme lifetime, which could be up to 19 years (i.e. 2007-2026), giving an average annual fee of only about 0.32%. On the Commission side, a limited number of staff is directly involved in programme management tasks i.e. approval, monitoring, supervising, reporting and ex-post control as well as in tasks of a more horizontal nature, namely accounting, legal questions, preparation and follow-up of programme management committees, liaison with the budgetary authorities, etc.

195. (§55, page 11) The Parliament asks for information on how many applications are in fact rejected.

Commission's response:

The requested action has been taken. The Commission hereby reports that of a total of 104 financial intermediary applications received so far by EIF, 15 have been rejected by the EIF or are in a dormant position with very low probability of fruition. The Commission has so far rejected 1 application of those submitted to it by EIF.

196. (§56, page 11) The Parliament takes note of the general observations made by the Court of Auditors on an improved, results-oriented fee system for the financial services provided by the EIF; notes that the Commission fails to respond to this point at all, and expects it to provide more specific information.

Commission's response:

The requested action has been taken. The Commission is hereby providing specific information on the fee system. The EIF remuneration is broken down into four types of fees to reward excellence in a number of areas regarding the implementation of the facility.

First, a Start –Up Fee of up to EUR 1.03 million paid in instalments upon completion of milestones on the part of EIF in setting up the programme. Second, a Signature Fee ranging from EUR 15,000 to EUR 200,000 to encourage broad geographical coverage and complexity of certain windows such as securitisation. Third, an Implementation Fee calculated mainly on the number of beneficiary SME loans guaranteed and fourth, a Monitoring Fee ranging from EUR 1000 for checking a sampled guarantee call to EUR 6,000 for a complete EIF monitoring visit to a Financial Intermediary.

The management fees have been fully audited by the ECA. The Commission takes note of the positive assessment by the ECA of the improved fee structure under the current programme. The Budgetary Authority was provided with all the relevant information at the start of the programme and fee-related information was provided in the context of the Parliamentary question (ref E- 2471/2011).

197. (§57, page 11) The Parliament calls upon the Commission to report to EP on the steps envisaged and/or already taken in order to implement the ECAs' recommendations (support programmes based upon an explicit intervention logic, improved performance indicators, more specific targets, updated monitoring and envisage appropriate measures to minimise the deadweight).

Commission's response:

The requested action has been taken. The Commission tabled proposals in November 2011 for the successor programmes (COSME and Horizon 2020), which are now being discussed with the European Parliament and the Council. These proposals take into account the recommendations made by the Court on an explicit intervention logic, performance indicators and more specific targets to minimise the deadweight.

198. (§58, first indent, page 11) The Parliament calls upon the Commission to ensure that for any subsequent facility, the legal basis and the management agreement is finalised well before the effective start of the programming period.

Commission's response:

The Commission is taking the requested action. It intends to have the agreements finalised before the start of the programming period but relies on a timely conclusion of the co-decision process in order to ensure that the legal bases are agreed in 2012, so that it has adequate time to negotiate the necessary detailed contractual arrangements for implementation with the entrusted entities in 2013 and thus allow the programmes to start early in 2014.

199. (**§58, second indent, page 11**) The Parliament calls upon the Commission to ensure that for any successor programme a scoring system for the assessment of potential intermediary applications is put in place, and minimum selection requirements are defined.

Commission's response:

The Commission is taking the requested action. It intends to take measures to that effect where appropriate. It should be noted, however, that the adoption of a scoring system will depend on the choice of the delivery mechanism of the future programmes, which has not yet been decided. A scoring system is relevant in the case of the implementation through Fiduciary and Management Agreements, such as the current SME Guarantee Facility, but not necessarily in the case of other delivery mechanisms such as dedicated investment vehicles.

200. (**§58, page 11**) The Parliament calls upon the Commission to report to EP on its conclusions and on whether any actions are envisaged to deal with the Court of Auditors' recommendations.

Commission's response:

The requested action has been taken. The Commission has accepted the recommendations of the Court and is implementing them in terms of its proposals for the legal bases of the successor programmes and during the current discussions with Council and Parliament. In addition the recommendations are currently guiding the thought process in the Commission on other financial instruments under design.

Special Report No 5/2011 "Single Payment Scheme (SPS): issues to be addressed to improve its sound financial management"

201. (§60, page 11) The parliament calls on the Commission, therefore, to propose the necessary changes in the legislation so that the SPS really makes an optimal contribution to the CAP objectives.

Commission's response:

The requested action has been taken.

In its proposal for a regulation "establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy" for post-2013, and building on the reform of 2003 and the Health Check of 2008, the Commission has sought to better target support to certain actions, areas or beneficiaries as well as to pave the way for convergence of the level of support within and across Member States. The Commission has proposed a basic payment scheme together with a number of related payments (payment for certain agricultural practices beneficial for the environment and the climate, voluntary coupled payments etc.).

202. (§61, page 12) The Parliament calls on the Commission to provide more precise guidance on the implementation of Union legal acts in the Member States legislation, so as to avoid Member States stretching the rules.

Commission's response:

The requested action has been taken.

The Commission will continue to provide guidance through guideline documents and seminars. However, the diversity of farm structures and conditions throughout the EU will require that Member States retain some room of manoeuvre in the implementation.

203. (§66, page 12) The Parliament believes that the Commission, in its proposal for a CAP post-2013, should ensure that the distribution of aid between farmers is more balanced.

Commission's response:

The requested action has been taken.

The proposed redistribution among Member States for the CAP after 2013 as well as the move to a regional model for all Member States are core elements of rebalancing. Moreover, the Commission proposal to limit the amount of support that any individual farm can receive as well as the proposed simplified scheme for small farmers and proposals for better targeting aid via specific support possibilities for young farmers or in areas with natural constraints should also contribute to a more balanced distribution of aid between farmers.

Special Report No 6/2011 "Were ERDF co-financed tourism projects effective?"

204. (§71, page 13) Ensure that suitable objectives, targets and indicators are established at the grant application and decision stages, with a view to enabling projects to be selected which are likely to be the most efficient, and to ensure the evaluation of their results. The Parliament urges the Commission and the Member States to encourage this practice.

Commission's response:

The setting up of suitable objectives, targets and indicators helps with the monitoring of implementation and the evaluation of the projects results. But this does not necessarily lead to the selection of the "most efficient projects". The Commission will continue to promote the use of suitable objectives, targets and indicators with the managing authorities.

205. (§73, page 13) The Parliament urges the Commission to report on progress in simplifying the ERDF subsidy process in order to minimise the administrative burden faced by promoters.

Commission's response:

For the current (2007-2013) programming period, rules on implementation of the funds have been simplified in the Structural Funds Regulations. Furthermore, in 2008-2010 the Commission introduced significant simplifications, especially by creating the possibility to declare costs on the basis of flat rates, lump sums and standard scales of unit costs, including in the area of tourism. This new regulation widens the possibilities for simplified costs and forces MS to consider the administrative burden (and reduction) as part of preparing and managing their programmes.

In addition to the simplification attained at the EU level, the Commission proposal takes into account that simplification is a joint responsibility and thus also envisages clear responsibilities for the Member States in this regard. Article 4 of the CPR on general principles states that both the Commission and the Member States shall carry out their roles with the aim of reducing the administrative burden for beneficiaries. Article 14 and Article 87 on the content of the Partnership Agreement and the Operational Programmes both foresee that the Member State set out actions to reduce administrative burdens for beneficiaries and establish corresponding targets in their programming documents, thus committing to taking appropriate action on their part.

Special Report No 7/2011 "Is agri-environment support well designed and managed?"

206. (§76, page 13) The Parliament calls on the Commission to assess Member States' rural development programmes more rigorously before approving them.

Commission's response:

The requested action has been taken.

The Commission will continue with its rigorous assessment of Member States' programmes and it will endeavour to ensure that the programmes respect all legal obligations.

207. (§77, page 14) The Parliament welcomes the Court of Auditors' conclusion that farmers are generally well supported through appropriate guidance; notes, however, the need to improve dissemination of best practices and feed-back on results; calls on the Commission and the Member States to make better use of existing structures for this purpose, such as the European Network for Rural Development.

Commission's response:

The requested action has been taken.

Good practices are a focal point of all European Network for Rural Development (EN RD) actions and disseminated through the various publications issued and seminars organised. Member States can also disseminate best practices by training and farm advisory service measures.

The Commission proposals for a reform of the CAP after 2013 emphasise the role of the EN RD in collecting and disseminating good practices.

208. (§79, page 14) The Parliament calls on the Commission, before approving programmes, to ensure that all elements identified by the Court of Auditors as necessary for the proper establishment of aid amounts are duly taken into account.

Commission's response:

The requested action has been taken.

The Commission verifies whether all elements of the calculations as required by the legal framework are provided in the programmes and performs a plausibility check. In cases of doubt concerning aid amounts proposed, Member States are asked to provide detailed information on the underlying calculations and revise them, if necessary.

Calculations of aid amounts may be differentiated "as appropriate" and often follow a standard cost approach.

Special Report No 8/2011 "Recovery of undue payments made under the common agricultural policy"

209. (§87, page 15) The Parliament calls on the Commission to report to Parliament on the actions it envisages in order to accommodate the following recommendations.
- Request MS to report irregularities and other recoveries at the time the recovery notification has been drawn up,
 - Introduce a uniform time-limit between the discovery of a potential irregularity and the notification of the recovery order to the debtor,
 - Issue clear application rules, recording and reporting of interest on outstanding debt,
 - Clarify the circumstances under which debts can be declared as irrecoverable, in particular in relation to insolvency cases, and
 - Estimate accurately undue payments to final beneficiaries each year, and book the recoveries precisely to the year in which losses occurred.

Commission's response:

The requested actions have been taken.

As regards the 1st and 2nd indents, these time limits are already set in respective case law and in Regulation (EC) No 1290/2005. It follows from the judgments in Case C-34/89 (points 12–13) and Case C-54/95 that the Member State cannot be inactive in a given case for more than one year, and that within a four-year period from the moment of the first indication of an irregularity the investigation must normally be concluded and a decision on the initiation of a recovery procedure be taken. The Commission has also already issued guidelines clarifying the reporting requirements of the irregularity cases and checks the correct implementation of recovery procedures by Member States in the context of its conformity audits.

Furthermore, the Commission proposed to reinforce the current rules on the recording and reporting of irregularities in the context of its legislative proposals for the CAP towards 2020. In its proposal for a European Parliament and Council Regulation on the financing, management and monitoring of the CAP (article 56), it is proposed that Member States shall request recovery from the beneficiary within 1 year of the first indication that an irregular payment has taken place and shall record the corresponding amount in the debtors' ledger of the paying agency.

Regarding the 3rd indent, the Commission has already provided clear guidance on the reporting of interests in the context of the annual financial clearance exercise. Furthermore, the legal obligation to report interest as accessory to the principal amounts was confirmed by the Court of Justice in its judgement in joined cases T-274/08 and T-275/08. The Commission considers harmonising, for the post-2013 period, the substantive rules on the recovery of undue payments, including those

on interests, thereby overcoming the differences resulting from the application of national rules.

As regards the 4th indent, Article 32(6) of Regulation (EC) No 1290/2005 explicitly provides the two possibilities under which a debt may be declared irrecoverable. In particular, Article 32(6) (b) states that the decision to write off a debt as irrecoverable due to the insolvency of the debtor shall be based on an act recorded and recognised under the national law of the Member State concerned. The Commission verifies whether any such decision is properly justified in the context of its conformity audits and is providing feedback and recommendations to the Member States concerned on their administrative practice. Bankruptcy procedures remain however essentially a matter of national law.

Regarding the 5th indent, the Member States have to disclose, through the paying agencies' annual accounts which are submitted each year to the Commission in the context of the annual financial clearance exercise, detailed information regarding the amounts recovered and still to be recovered from the final beneficiaries. Such information is subject to the certification audits from the certifying bodies and is disclosed in both DG AGRI annual activity report and in the Commission's own annual accounts. The Court has acknowledged, in its special report No 8/2011 that new arrangements since 2006 have improved matters by providing more accurate information and greater details on debts and recoveries and by giving more information in the annual accounts (see also reply to question No 91).

210. (§88, page 15) The Parliament asks the Commission to apply a sanction mechanism if Member States are writing off debts as irrecoverable when it is not appropriate to do so; insists that this will require a clear and practical definition of the guidelines, without any room for different interpretations.

Commission's response:

The requested action has been taken.

Article 32(6) of Regulation (EC) No 1290/2005 already explicitly provides the two possibilities under which a debt may be declared irrecoverable. In particular, Article 32(6) (b) states that the decision to write off a debt as irrecoverable due to the insolvency of the debtor shall be based on an act recorded and recognised under the national law of the Member State concerned.

During the annual certification exercise, the certification bodies are testing on a sample basis if these decisions to write-off debts are properly founded. Cases written off with an amount exceeding EUR 1 million are also systematically audited by the Commission. Moreover, cases below EUR 1 million are included in the samples which the Commission checks in the context of its on-the-spot audits.

The Commission therefore verifies whether such decisions to write-off debts are properly justified in the context of its conformity audits and is providing feedback and recommendations to the Member States concerned on their administrative practice. Bankruptcy procedures remain however essentially a matter of national law.

211. (§89, first indent, page 16) The Parliament calls on the Commission to ensure that the way in which debts in the Member States are managed and reported upon is further improved, and to ensure the consistent treatment of those debts across all Member States.

Commission's response:

The requested action has been taken.

The Commission considers that the way in which debts are managed and reported upon by the Member States has already improved significantly, not least due to its conformity audits in this area. This is also acknowledged by the Court of Auditors which considers that the new arrangements introduced in 2006 have improved matters by providing more accurate information and greater details on debts and recoveries at the level of the Member States and by giving more information in the annual accounts. It also acknowledged the improvements in the recovery rate for debts raised from 2006 onwards.

Furthermore, the Commission proposed to reinforce the current rules on the recording and reporting of irregularities in the context of its legislative proposals for the CAP towards 2020. In its proposal for a European Parliament and Council Regulation on the financing, management and monitoring of the CAP (article 56), it is proposed that Member States shall request recovery from the beneficiary within 1 year of the first indication that an irregular payment has taken place and shall record the corresponding amount in the debtors' ledger of the paying agency.

212. (§89, second indent, page 16) The Parliament calls on the Commission to ensure that guidelines are issued in a timely manner to address persistent inconsistencies in key reporting and accounting concepts.

Commission's response:

The requested action has been taken.

With the exception of the first year (2006), the guidelines were always issued in July at the latest and, thus, more than half a year before the reporting deadline to the Commission. As the guidelines need to take account of the experience from the previous financial clearance exercise, it is not possible to advance this date further. Moreover, since the last regulatory change in October 2007, the guideline has essentially remained stable.

213. (§89, third indent, page 16) The Parliament calls on the Commission to ensure that application of the 50/50 rule is reviewed, in particular as regards the amounts that potentially escape clearance, and the 50/50 rule is effectively implemented.

Commission's response:

The requested action has been taken by the Commission in what concerns limiting the loss of unduly spent amounts.

The Commission has proposed, in the context of its legislative proposals for the CAP towards 2020 (proposal for a European Parliament and Council Regulation on the financing, management and monitoring of the CAP, article 56), that if recovery has not taken place within 4 years of the date of the recovery request (or within 8 years in case of judicial procedures) the entire non-recovered amount shall be borne by the Member State concerned.

As for the change in the application of the 50/50 rule, it is applied on the outstanding amounts as they are reported in the Annex III table for the year in question. The financial result is not adapted retroactively to take account of either negative or positive corrections reported by Member States in subsequent years. This is the logical consequence of the automatic nature of this new clearance mechanism and follows from the deliberate decision of the EU legislator to limit any ex post rectifications to cases where the absence of any irregularity is recorded by an administrative or legal instrument of a definitive nature (Article 32(5), fourth paragraph, of Regulation (EC) No 1290/2005).

214. (§89, fourth indent, page 16) The Parliament calls on the Commission to ensure that the work of the certification bodies, in their testing of debtors' accounts in the Member States, covers the highlighted risks.

Commission's response:

The requested action has been taken.

The Commission considers that the risks referred to by the Court are already addressed through the work of the certification bodies, which includes both a review of the systems used by the paying agencies and substantive testing of transactions on a sample basis. These samples include all types of transactions in the field of debts management, i.e. newly established debts, corrections to the amount to be recovered, be it positive or negative adjustments, amounts declared irrecoverable and recovered amounts. The work of the certification bodies is analysed in detail by the Commission services in the course of the annual financial clearance process or during on-the-spot audit missions to certification bodies and, where necessary, recommendations are made.

215. (§89, fifth indent, page 16) The Parliament calls on the Commission to ensure that a greater proportion of undue payments is recovered from beneficiaries.

Commission's response:

The requested action has been taken.

Because the Commission is responsible for the protection of the EU financial interests, conformity audits are carried out to assess both the debts management systems of the paying agencies visited and the diligence in the treatment of individual irregularity cases. When weaknesses have materialised, they are covered by the ongoing conformity clearance procedures.

According to current EU legislation, the Commission's two main means to improve the situation are:

- the application of the 50/50 rule, which is a strong incentive for the Member States to initiate and complete the recovery procedures in a timely manner (50% of the undue payments which the Member States have not recovered from the beneficiaries within 4 years or, in the case of judicial procedures, 8 years, are charged to their national budgets). Due to the introduction of the 50/50 rule, together with the obligation to use offsetting (obligation for the Member States to offset any outstanding debt against any future payment for the same beneficiary, introduced in 2008), the recovery rate at the level of final beneficiaries have improved for debts raised from 2007 onwards, which the Court of auditors acknowledged. The recovery rate for the debts established in 2007 and thereafter was 44% at the end of financial year 2011 and 60% solely for the debts established in 2007. The Commission has proposed to go further as from 2014 in its proposal for a European Parliament and Council Regulation on the financing, management and monitoring of the CAP (article 56), by charging to the Member States the entire non-recovered amount at the expiry of this 4 or 8 years delay.

- In cases where the Commission finds that the recovery is not pursued with the necessary diligence the amounts not recovered are charged to the national budgets of the Member States.

In addition, it has also been proposed that, as from 2014, the Commission will have the possibility to suspend payments, under certain conditions, also in the case of deficiencies in the recovery of undue payments.

However, it should be noted that according to the principle of shared management, the recovery of irregular payments at the level of final beneficiaries is a matter of national law and carried out by the authorities of the Member States. Consequently, the actual recoveries from final beneficiaries essentially depend on national administrative and judicial systems.

Furthermore, in the majority of the undue payments with significant amounts, the debt recovery is subject to lengthy judicial procedures which are generally not concluded within a short period of time.

216. (§89, sixth indent, page 16) The Parliament calls on the Commission to ensure that the follow-up of the old Task Force Recovery cases is finalised and homogeneously treated between all the Member States.

Commission's response:

The requested action has been taken.

The Task Force Recovery (TFR) completed its work by issuing the Commission decision of 13 February 2009. In those cases where the Member States acted with the necessary diligence and recovery was still ongoing, the TFR could not write off the outstanding amounts at the expense of either the Member State or the EU budget. Therefore, these cases fell under the new clearance mechanism of Regulation (EC) No 1290/2005 (clearance under the 50/50 rule) and are also followed-up in the context of conformity clearance procedures to assess whether recovery actions continue to be taken in a diligent way even after the application of the 50/50 rule.

217. (§90, page 16) The Parliament invites the Commission to further consider the suggestions; calls on the Commission to report to Parliament on its conclusions, and to state whether any steps are envisaged in the context of those recommendations.

Commission's response:

The Commission is taking the requested action.

The Commission will reflect on the most appropriate way to inform Parliament on the steps taken in response to its recommendations and will make the necessary arrangements by the end of this year.

218. (§93, page 16) The Parliament asks that an action plan be drawn up for Italy to remedy the situation in which 58% of the amount of 424 million EUR charged to MS under the 50/50 rule (2006-2009) applies to Italy.

Commission's response:

The amounts charged to Italy under the 50/50 rule on the period 2006-2009 represent 58 % of the total of 424 million EUR charged to all the Member States. In the majority of the undue payments with significant amounts, the debt recovery is subject to lengthy judicial procedures at national level, on which the EU has almost no competence, and which are generally not concluded within the delay after which the 50/50 rule applies.

The Commission has however already taken a number of actions and is currently reviewing the diligence from the Italian authorities for a large number of individual irregularity cases involving significant amounts in the context of its ongoing conformity clearance procedures. These various procedures cover i) follow-up of individual irregularity cases, including cases for which the Task Force Recovery could not write off the outstanding amounts at the expense of either the Member State or the EU budget because recovery procedures were ongoing at that time (see reply §89, sixth indent, Special Report N° 8/2011 resolution) ii) follow-up of findings from the certification bodies iii) systems audit carried out in two Italian paying agencies in 2010. Furthermore, training actions were provided by the Commission services to the biggest Italian paying agency in 2012 in the field of debt management, recovery procedures and reporting on debts.

In addition, setting a 100/0 rule, as proposed by the Commission for the next period (Article 56 of the proposal for a Regulation on the financing, management and monitoring of the common agricultural policy [COM(2011) 628 final/2](), would push all Member States in the right direction.

219. (§94, page 16) The Parliament recalls that there is still a lack of transparency concerning publication, in the financial statements presented to Parliament, of the amounts deducted from Member States (effectively taxpayers' money) and the amounts actually recovered from beneficiaries; asks the Commission to supply this information to Parliament.

Commission's response:

The requested action has been taken.

According to accounting rules, the Commission has to show the position of its debts and account for its own recoveries. In that perspective, the accounting position includes both recoveries from final beneficiaries and financial corrections from Member States through the clearance of accounts system. Yet, as recognised by the Court, the Commission is disclosing separately, as from 2009, the financial corrections through the clearance of accounts system from other recoveries.

The current assets in the annual accounts of the Commission are showing both the Commission's receivables as well as the Member States' debtors accounts (including the corresponding value adjustments) in accordance with the accounting policies and the concept of prudence; under 'operating revenues', the amounts recovered from final beneficiaries and financial corrections from member States are presented. Additionally, the opening balance and all changes during the year with the final closing balance for outstanding debts from beneficiaries and Member States are presented separately in the annexes of the annual accounts.

Special Report No 10/2011 "Are the School Milk and School Fruit Schemes effective?"

220. (*§102, page 18*) The Parliament calls on the Commission and the Member States to target, on a scientific basis, the children and pupils who would benefit most (in terms of nutritional needs, age group, health condition, social group, etc.) from the School Milk and School Fruit Schemes.

Commission's response:

The Commission will be taking the requested action for the School Fruit Scheme (SFS).

Under the SFS, current rules allow targeting on a scientific basis if Member States are willing to do so. The evaluation foreseen in 2012 could promote open discussion on better targeting. The SFS Group of experts could provide its advice on this issue and the annual SFS stakeholders' meeting could facilitate the exchange of views amongst the various actors of the Scheme.

As regards the School Milk Scheme, the Commission considers that its present design already addresses the population that would benefit most from the scheme.

221. (*§105, page 18*) The Parliament calls on the Commission and the Member States to put in place a co-financing system for the School Milk Scheme similar to that used for the School Fruit Scheme; believes that the Commission and the Member States could consider extending co-financing to accompanying measures.

Commission's response:

The Commission will be taking the requested action.

The proposals for the CAP post-2013 include the possibility to co-finance accompanying measures in the framework of the School Fruit Scheme.

As regards the School Milk Scheme (SMS), co-financing is already an option for Member States. At present, there is no requirement for accompanying measures in the SMS. An evaluation of the scheme is foreseen in 2012-2013. Its outcome will be taken into account to consider possible changes to the scheme in the course of 2014.

222. (*§106, page 18*) The Parliament calls on the Commission and the Member States to put in place effective monitoring and control systems

Commission's response:

The requested action has been taken.

For the School Fruit Scheme, current rules provide for Member States' annual reporting to the Commission both on the results of monitoring activity and on-the-spot checks (Article 15 of Commission Regulation (EC) No 288/2009).

For the School Milk Scheme, Article 17 of Commission Regulation (EC) No 657/2008 provides for a yearly notification from the Member States to the Commission on the use of the scheme and on the controls carried out during the previous school year.

Special Report No 11/2011 "Do the design and management of the geographical indications scheme allow it to be effective?"

223. (§108, page 18) The Parliament calls for an adequate control structure and system that ensures a consistently high product quality of protected designation of origin and protected geographical indication and effectively prevents and detects disallowed practices in all Member States; however, is of the opinion that this must not lead to the creation of additional control layers, the definition of maximum control requirements and a further increase in bureaucracy.

Commission's response:

The requested action has been taken.

The general structure and principles of food law control are duly harmonised.

The Official Feed and Food Control (OFFC) Regulation (EC) No 882/2004 requires Member States to carry out official controls regularly on a risk basis and with appropriate frequency taking account, inter alia, of past history of compliance and the reliability of operators own controls. It is a control instrument that is fitted to the particular circumstances of the food control, in line with the subsidiarity principle and better regulation.

Differences in the approach are inherent in the decentralisation of controls under the OFFC, and the legislator's choice. Nevertheless, the observations can serve as a basis for an exchange of experiences and appropriate follow-up, without putting into question the Member States' capacity to apply risk based controls under their separate responsibility.

In this sense, the initiative Better Training for Safer Food (BTSEF), which aims at organising a EU training strategy in the areas of food law, feed law, animal health and animal welfare rules, as well as plant health rules, included in its programme for 2011-2012 several topics on Geographical Indications for discussion amongst Member States representatives.

As regards disallowed practices, the OFFC Regulation sets out clear principles for checks aiming at their detection and suppression, which are established by Member States on the basis of a risk analysis.

The Commission proposal for a Regulation of the European Parliament and the Council (COM(2010)0733) on agricultural product quality scheme (the "quality regulation") provides additional details on the control system covering geographical indications, without putting into question the application of Regulation (EC) No 882/2004.

At the same time, within the frame of the OFFC architecture, these issues will be further reflected upon.

224. (§109, page 19) The Parliament supports the Court of Auditors' recommendation that audits on Member States' checks of the geographical indications scheme be included

in the Commission's plan for regular audits in the Member States, and requests the Commission to react correspondingly.

Commission's response:

The requested action has been taken.

As from 2011, DG AGRI and DG SANCO have agreed that the latter will include protected designation or origin (PDO) and protected geographical indication (PGI) related issues in its annual audit programmes in full cooperation with AGRI and following the same rigorous prioritisation process applied to other areas under its remit.

For example for the year 2012, the DG SANCO-FVO has planned an audit in the UK to assess the official controls systems in place for the protection of PDOs and PGIs for agricultural products and foodstuffs.

225. (§110, page 19) The Parliament asks the Commission to simplify and shorten the bureaucratic and lengthy registration procedures in order to make the geographical indications scheme more attractive for potential applicants currently discouraged by overly time-consuming application procedures.

Commission's response:

The requested action has been taken.

The Commission proposal for a "quality regulation", currently under 1st reading in the European Parliament and Council, includes several improvements to shorten the procedures (for example, 6-month scrutiny by the Commission (instead of 12 months), reduction of the opposition period (from 6 to 2 months), etc.).

However, the Commission may not interfere during the scrutiny and objection procedure taking place at national level, the length of which depends on varying, specific factors.

In addition, at EU level, the Commission tries to correct deficient application files with the cooperation of the Member State or third country applicant, thus suggesting improvements to the original file.

226. (§111, page 19) The Parliament requests the Commission to thoroughly examine the situation, develop a clear strategy and define effective measures and means which address the current lack of awareness of the geographical indications scheme, its products and its logos, such as running a campaign on its own initiative, etc.

Commission's response:

The Commission will be taking the requested action.

The Commission has put in place a coherent set of initiatives aimed at raising awareness of the geographical indications scheme, including inter alia the Quality website (more than 50,000 pages views by more than 10,000 unique visitors per

month), rural development promotion measures 132 and 133, and specific promotion programmes.

Producers have shown a clear interest in the schemes, as indicated by the significant number of product names registered (about 1,000) accounting for a market value of €14.5 billion in 2008. At the same time, the Commission continues to receive a high number of applications.

Also, as from 1 May 2009, the use of the logo or of the identifications 'protected designation of origin' and 'protected geographical indication' are compulsory – which is understood to contribute to making a large number of consumers aware of the schemes.

As regards promotion through Regulation (CE) n°3/2008, 12 promotion programmes on quality schemes are running on internal and external markets with a co-financing from EU budget reaching € 16 million (situation on 20.6.2012).

In addition, as part of the ongoing reflexion on the reform of the regime on information and promotion of agricultural products, the Commission will consider appropriate ways to further enhance the promotion of quality schemes. The Green Paper on promotion measures and information provision for agricultural products (COM (2011) 436 final) and the Communication on the future of the promotion regime (COM(2012)148) will pave the way of the Commission legislative proposal for the reform of the promotion regime of agricultural products expected by the end of 2012.

227. (§113, page 19) The Parliament proposes clearer indicators enabling consumers to see how the protected names differ in terms of the degree and the kind of relationship which exists between a product and a geographical region.

Commission's response:

The public consultation and impact assessment preceding the Commission proposal for a new Quality Regulation (end 2010) did not show such a need. As part of the ongoing reflexion on the reform of the information and promotion regime of agricultural products, the Commission will consider appropriate ways to further enhance the promotion of quality schemes, including ways to inform consumers about the differences between the 2 schemes PDO and PGI.

228. (§114, page 19) The Parliament asks the Commission to take active measures to protect products registered under the Union geographical indications scheme also in an international trading context, and to work on respective agreements with third countries.

Commission's response:

The requested action has been taken.

Adequate protection of EU geographical indications (GI) is a priority of the Commission at multilateral level (WTO) as well as in bilateral negotiations with

third countries, such as in the Free Trade Agreement with South Korea and the bilateral agreement with Switzerland.

Currently, a bilateral EU-China agreement on GIs is under negotiation. Trade negotiations, which cover intellectual property issues such as GIs, are ongoing for example with the Mercosur countries, Singapore and Malaysia.

229. (§115, page 19) The Parliament calls on the Commission to inform Parliament of the outcome of its actions.

Commission's response:

The Commission is taking the requested action.

The Commission will reflect on the most appropriate way to inform Parliament on the steps taken in response to its recommendations and will make the necessary arrangements by the end of this year.

Special Report No 15/2011 "Do the Commission's procedures ensure effective management of State aid control?"

230. (§118, *first indent, page 20*) The Parliament invites the Commission to adopt a more proactive stance in its relationship with Member States, in particular to make greater efforts to raise awareness about State aid rules by disseminating information concerning best practices and providing more practical guidance.

Commission's response:

The Commission is taking the requested action. In the context of the Communication on the State aid modernisation adopted on 8 May 2012 (COM(2012) 209 final), the Commission has proposed measures in that effect. It is notably looking into clarification and simplification of the rules, e.g. with regard to cases of a more local nature and with little effect on trade and providing further guidance, e.g. through a new notice on the notion of State aid.

231. (§118, *second indent, page 20*) The Parliament invites the Commission to adopt a more proactive stance in its relationship with Member States, in particular to ensure that, when applicable, all State aid is duly notified, and to develop means to discipline Member States when that is not done.

Commission's response:

The Commission is taking the requested action. As laid down in the Communication on the State aid modernisation, the Commission will expect better cooperation from Member States in terms of quality and timeliness of submission of information, compliance and enforcement. A lower administrative burden can only be envisaged if it is accompanied by increased commitment and delivery on the part of the national authorities in terms of compliance. In that context, the Commission also intends to increase ex post monitoring.

232. (§118, *third indent, page 20*) The Parliament invites the Commission to adopt a more proactive stance in its relationship with Member States, in particular to make more human resources available for State aid control without further delay.

Commission's response:

The Commission accepts the recommendation. However the Commission, whilst making further efforts to improve its case-handling (including as regards staff allocation), also has to deal with priorities in the other competition domains in a context of zero-growth or possibly even decreasing resource availability.

Efforts have also been made to enhance efficient use of (existing) resources through measurement of workload and performance across cases and projects.

233. (§119, *page 20*) The Parliament invites the Commission to take steps to limit the length of the investigation procedure; notes the high number of requests for information sent to Member States, and encourages the Commission to limit those requests so as to accelerate the procedure; calls on the Commission to inform

Parliament of the average time needed to finalise cases over the last four years per individual Member State.

Commission's response:

The Commission is taking the requested action. The Commission recognizes that the duration of State aid cases may sometimes take a long time. This is a shared responsibility with Member States. The 2008 general block exemption regulation (Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty, OJ L 214, 9.8.2008, p. 3–47), which entails a move away from notifications/ex ante control, already considerably reduced the administrative burden. In 2009, the Commission also adopted a simplification package for State aid with a Best Practice Code and a Simplified Procedure Notice (Commission Notice on a Best Practices Code on the conduct of State aid control proceedings, OJ C 136, 16.06.2009, p. 13-20 and Commission Notice on a Simplified procedure for the treatment of certain types of State aid, OJ C136, 16.06.2009, p. 3-12).

In the context of State aid modernisation, the Commission will further review the rules to streamline the processes, in cooperation with Member States.

However, the Commission does not have the requested data regarding individual Member States' performance. It has only aggregate data. In addition, in view of the impact of the crisis in the last years (some financial cases dealt with extremely rapidly but at the expense of other cases) and the great variety of State aid cases and their difference in distribution among Member States, a detailed breakdown would not allow drawing meaningful conclusions. Nevertheless, the following aggregate data are available – currently 5 months are needed on average before the Commission can adopt a decision based on a preliminary investigation of the notified measure, and more than 21 months if the Commission needs to open a formal investigation procedure.

234. (§120, page 20) Encourages the Commission to further consider whether the lessons learned from the successful handling of the financial crisis could be used also to streamline the work under "normal" circumstances, and invites the Commission to inform Parliament, before September 2012, about possible changes to be introduced

Commission's response:

The Commission is taking the requested action. One of the objectives of the State aid modernisation process launched by the Commission is simplification and streamlining of the procedures, where possible drawing lessons from the financial crisis. However, as any changes implemented would be embedded in a broader reform of State aid control, the Commission will not be in a position to inform the Parliament in full of the changes by September 2012.

235. (§121, first indent, page 20) Underlines the importance of ensuring legal certainty for all stakeholders; consequently, calls on the Commission to deal swiftly with unfounded complaints.

Commission's response:

The Commission is taking the requested action. It recognizes the importance of providing legal certainty to all stakeholders. However, the process to deal with complaints must take place in accordance with the rules laid down in the Procedural Regulation (Council Regulation No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 (now Art.88) of the EC Treaty, Official Journal L 83/1, 27.03.1999, p. 1-9) and the case law of the European Court of Justice. In the context of the modernisation of State aid control, the Commission will look whether further progress can be made to deal more swiftly with unfounded complaints.

236. (§121, second indent, page 20) Underlines the importance of ensuring legal certainty for all stakeholders; consequently, calls on the Commission to speed up the complaint handling procedure in general and to allocate the necessary resources in order to further reduce the backlog.

Commission's response:

The Commission is taking the requested action. It recognizes the importance of providing legal certainty to all stakeholders. However, the process to deal with complaints must take place in accordance with the rules laid down in the Procedural Regulation and the case law of the European Court of Justice.

Within the current procedural set-up, some progress has already been made to reduce the backlog (compared to the situation on 1/1/2011, on 1/6/2012 the number of pending complaints was reduced by more than 100, from 473 to 362). For a more important reduction, a change to the procedural framework is required. The Commission will propose such change in the context of the State aid modernisation.

237. (§121, third indent, page 20) Underlines the importance of ensuring legal certainty for all stakeholders; consequently, calls on the Commission to duly inform the complainant, the Member State and the beneficiary about the cases in progress and about the outcome of the investigation.

Commission's response:

The Commission is taking the requested action. The Commission recognizes the importance of providing legal certainty to all stakeholders. A first step has been made through the Best Practice Code, which provides for systematic information of all stakeholders about the outcome of the investigation. In the context of the State aid modernisation, the Commission will propose further changes to increase the transparency of its procedure.

238. (§122, page 20) The Parliament notes the weaknesses in the use of available human resources, and welcomes the Commission's intention to implement an enhanced system of time recording; endorses the Court of Auditors suggestion for a management reporting designed to effectively monitor the time spent on particular cases and the workload of case handlers; expects such a system to be operational by the end of 2012.

Commission's response:

The Commission is taking the requested action. The Commission has meanwhile introduced a system of time recording (PETRA, operational since January 2012) as well as a system to weigh workload, which is regularly reviewed by senior management.

239. (§123, page 20) The Parliament encourages the Commission to step up its monitoring activities, in terms of both sample size and scope.

Commission's response:

The Commission is taking the requested action. The Commission has already stepped up its monitoring activities. The scope of the 2011 monitoring exercise has doubled to cover 33% of aid granted under approved aid schemes or the block exemption regulation.

240. (§124, page 21) The Parliament invites the Commission to improve its efficiency and reliability, and to report on the progress of introduction of the SARI application before the end of the 2010 discharge procedure.

Commission's response:

The Commission is taking the requested action. The Commission will examine how it can address weaknesses in the data gathering process. Nevertheless, the Commission depends in this respect also on the good cooperation of Member States, which is why the State aid modernisation communication adopted on 8 May 2012 also put forward the need to strengthen Member States' cooperation in the enforcement of State aid control.

The Commission will report on the progress of the introduction of SARI application. In this respect, nine Member States provided via SARI in 2011 their annual report on state aid expenditure with respect to industry and services. In 2012, both DG Competition and DG Agriculture and Rural Development have introduced SARI in all Member States for the 2012 collection exercise of the annual report on state aid expenditure.

241. (§125, page 21) The Parliament invites the Commission to broaden its ex-post impact assessment of State aid and of State aid control on companies, markets and the overall economy.

Commission's response:

As indicated in its reply to the ECA report (see paragraph 100), a comprehensive ex post evaluation of the impact of State aid and State control is not feasible for methodological reasons and resource limitations.

However, the Commission will continue to carry out ad hoc evaluations of specific State aid control measures, like it has done recently on the financial and economic crisis (Commission staff working paper, "The effects of temporary State aid rules adopted in the context of the financial and economic crisis", 5 October 2011,

http://ec.europa.eu/competition/publications/reports/temporary_stateaid_rules_en.html).

Furthermore, the Commission does ex ante impact assessments for all its new rules – in that context, there will also be an assessment of the functioning of the existing State aid rules as a basis for drawing up orientations to modify the rules.

European Development Funds

242. (§2, page 8) The Parliament requests that the Commission urgently accelerate implementation of the Regional Indicative Programmes and OCT programmes.

Commission's response:

The Commission has used the opportunity of the mid-term reviews of the regional indicative programmes to make an extensive review of the portfolio of projects and programmes under preparation and to adjust the Regional Indicative Programmes (RIPs) where necessary. The subsequent proposals will be submitted to the EDF Committee in July 2012 for opinion and then be formalised through Commission decisions. They will facilitate the absorption of funds under the RIPs.

The 10th EDF Single Programming Document regarding regional allocation for the Overseas Countries and Territories (OCTs) has been approved by the Commission on 19 October 2011. This Decision also constituted a financing decision for one (the technical assistance to OCTA) of the five projects covered by the Regional Strategy. The five parts are:

Territorial Strategies for Innovation (TSI) (5M€), Technical assistance to Overseas Countries and Territories Association (5M€), Indian Ocean component: Gestion durable du patrimoine naturel de Mayotte et des îles Eparses (3M€), Pacific component: Project 'Integre' (Initiative des Territoires du Pacifique sud pour la Gestion Régionale de l'Environnement (12 M€). The SME-development project in the Caribbean region was submitted to the EDF Committee in June 2012 - via written procedure expiring on the 4th of July 2012. Following EDF Committees' approval the Commission will proceed with the adoption of a Financing Decision. The remaining draft proposals of the Financing Decisions for the three other components of the 10th EDF Regional Programme for the OCTs are expected to be submitted to the EDF Committee in the course of the fourth quarter of 2012 and then be formalised through Commission decisions.

Concerning the territorial allocation for OCTs under the 10th EDF, the Commission, in the course of 2012, accelerated the programming process of the funds. In that respect, up to the end of the first semester of 2012, seven Single Programming documents have been approved and the subsequent Financing decisions have been adopted by the Commission. The remaining six Single programming documents should be submitted to the EDF Committee during the third quarter of 2012, in view of their approval by the Commission before the end of the year.

243. (§3, page 8) The Parliament urges the Commission to bring forward concrete proposals to improve Parliament's democratic scrutiny over the EDF by bringing it into line with the DCI.

Commission's response:

The Communication 'A budget for Europe 2020' adopted in June 2011 proposed to improve democratic scrutiny of the EDF. The Commission proposal for the draft

inter-institutional agreement adopted also in June 2011 therefore proposed to establish a dialogue with the European Parliament on development policy issues regardless of their source of financing, by aligning the scrutiny of the European Parliament on the EDF, on a voluntary basis, to the democratic scrutiny that exist under the current DCI (2007-2013). It is suggested that modalities be fixed in the informal dialogue. Through the current DCI democratic scrutiny, the European Parliament is consulted on the draft strategy papers. This was described in declarations 4 and 5 attached to the 2006 inter-institutional agreement and it was clarified through an exchange of letters between the European Parliament and Commission.

244. (§4, page 8) The Parliament expects the Commission to ensure that the budgetisation is not made on the expenses of a loss of predictability of ACP funding.

Commission's response:

The Commission has pre-signalled to the Member States that budgetisation should take place as from 2021. This is to be revisited in the framework of the post-2020 multiannual financial framework.

245. (§5, page 8) The Parliament insists that as soon as possible and by no later than 2020 when the Cotonou agreement expires, the EDF should be integrated into the Union budget.

Commission's response:

In its proposal for the multiannual financial framework 2014-2020, the Commission has already pre-signalled to Member States its proposal for budgetisation as from 2021. The Commission remains convinced of the benefits of EDF budgetisation, which would bring more political accountability and democratic scrutiny to EU cooperation with ACP countries, and more efficiency within EU financial instruments and procedures. The Commission did not propose to integrate cooperation with ACPs into the EU budget for the 2014-2020 Multiannual Financial Framework because it would have implied embarking on delicate negotiations, including with ACP partners, to reconcile the specificities of the Cotonou agreement with EU budget rules.

However the 2014-2020 period will be used for redefining the principles and the architecture of the EU-ACP partnership after the expiry of the Cotonou agreement in 2020 and for preparing EDF budgetisation for the next MFF starting in 2021.

246. (§6, page 9) The Parliament expects the Commission to honour the commitment that the EDF will be fully incorporated into the Union's budget from 2020 onwards and to take all necessary measures to start preparing for EDF budgetisation.

Commission's response:

In its proposal for the multiannual financial framework 2014-2020, the Commission has already pre-signalled to Member States its proposal for budgetisation as from 2021. The Commission remains convinced of the benefits of EDF budgetisation, which would bring more political accountability and

democratic scrutiny to EU cooperation with ACP countries, and more efficiency within EU financial instruments and procedures. The Commission did not propose to integrate cooperation with ACPs into the EU budget for the 2014-2020 Multiannual Financial Framework because it would have implied embarking on delicate negotiations, including with ACP partners, to reconcile the specificities of the Cotonou agreement with EU budget rules. However, the 2014-2020 period will be used for redefining the principles and the architecture of the EU-ACP partnership after the expiry of the Cotonou agreement in 2020 and for preparing EDF budgetisation for the next MFF starting in 2021.

247. (§10, page 9) The Parliament asks the Commission to report to the competent committees of the Parliament whether the expected reduction in persistent encoding errors and further improvement in the quality of data entry has taken place.

Commission's response:

The requested action has been taken. See recommendation, § 63d, of ECA's 2010 Annual Report on the EDFs. DG DEVCO will pursue the significant efforts launched in 2009 to improve the quality of data entry. Major reviews of the contracts and audit modules of the management information system (CRIS) have been initiated in 2010/11 with this in mind. A Data Quality Management Framework was adopted by DEVCO in 2009, including the establishment of a Data Quality Taskforce in order to enhance the quality of CRIS data. To date, auditing, cleansing and monitoring actions have been primarily focused on financial data. DEVCO has completed an intensive data quality work on the Contract Module and keeps working on other data sets.

248. (§17, page 10) The Parliament calls on the Commission to enhance ex-ante controls to prevent non-quantifiable errors and possible losses as a result of non-compliance with the bank guarantee rules.

Commission's response:

See reply to recommendation, §183, page 112 of "Report from the Commission to the European Parliament and the Council on the follow-up to 2009 discharge" – SEC(2011)1351final-. The Financial Regulation (FR), including the rules on bank guarantees are at present under revision. In anticipation thereof, DG DEVCO has already set up a working group on the rules on bank guarantees with the aim of simplifying them. Commission services will pay particular attention to the issue in cases where contract amendments imply also adjustments of the amounts of bank guarantees.

249. (§19, page 10) The Parliament calls on the Commission to complete the process of developing the key indicator to estimate the financial impact of residual error within the set timeframe, i.e. by 2013.

Commission's response:

The requested action has been taken. See the comments concerning the recommendations: § 5.37, fifth indent of the ECA's 2010 Annual Report and §163, general budget resolution". The methodology to measure the residual error rate

was approved in March 2011 and a pilot study to test it and to elaborate a detailed work program for its full implementation was finalised in December 2011. A comprehensive study measuring the residual error rate is on-going and should be finalised at the beginning of 2013.

250. (§21, page 10) The Parliament calls for the strengthening of the institutional capacity in the National Authorising Officer's administration by providing additional financial training and targeted guidance to overcome these weaknesses in financial management.

Commission's response:

Aware that national administrations do not systematically perform to the required standards of financial management, the Commission carries out ex-ante controls on the major part of the project portfolio. At the same time, the Commission continues to reinforce the capacities of National Authorising Officers through substantial training provision specifically designed for NAO staff. In addition, 'NAO support' has been put in place in a number of countries. Guidance has also been significantly expanded in recent years including the publication in 2010 of a new 'Financial Management Toolkit' for recipients of EU funds.

251. (§23, page 11) The Parliament calls on the Commission and the EEAS to give sufficient priority to the human resources' aspects of their organisations as well as to cost efficiency, so as not to compromise any delegation's capacity for the monitoring and control tasks.

Commission's response:

The Commission adopted the Roadmap for the implementation of conclusions of the workload assessment in Delegations on 11 July 2012. It entails notably an important rebalancing exercise between Delegations and the creation of Middle Management functions for the four regional hubs to cover budget support and thematic expertise. Moreover, a mapping of expertise of all DEVCO staff in Delegations has been launched in June 2012 and will also feed into the rebalancing exercise.

252. (§26, page 11) The Parliament calls on the Commission to inform the competent committees of the Parliament on the measures taken to improve the supervisory and control systems of EuropeAid.

Commission's response:

See also reply to § 27 Special Report N°1/2011 resolution)

The Commission makes public the Annual Activity Report of the Director General of EuropeAid (and all other DGs of the Commission) each year in April so that the competent committees of the Parliament (and other stakeholders) can be informed on the measures it has taken - inter alia - to improve the supervisory and control systems of EuropeAid as well as the policy achievements of the DG. The reports are available at: http://ec.europa.eu/atwork/synthesis/aar/index_en.htm.

253. (§27, page 11) The Parliament urges Delegations to apply the new format for Delegations' annual reporting on Public Finance Management reforms in recipient countries consistently.

Commission's response:

The recommendation has been fully implemented. The Commission introduced, already in 2010, the obligation for EU Delegations of carrying out a systematic and improved analysis of Public Finance in the beneficiary countries. This is reflected in the new reporting format of Public Finance Management Annual Monitoring Reports. The proper respect of this obligation is regularly verified.

254. (§29, page 11) The Parliament urges the Commission to increase the level of information regarding the implementation of the EDF at national and regional level in the ACP countries and to ensure better visibility for all Union-funded activities overseas.

Commission's response:

On visibility of EU-funded actions, the Commission has already taken a number of concrete steps to ensure better visibility for all Union-funded activities overseas. Communication and visibility have been integrated into the design and quality support processes (Note AIDCO/D(2007) 3085). The Communication and Visibility Manual for EU External Actions explains how EU financed projects and programmes should manage visibility. A training kit for Delegations' Press and Information Officers to train operational colleagues is available in EN, FR and ES. Furthermore, the DEVCO house style Guide lays down the rules to be followed by anyone writing or producing a publication or any other communication issued by DEVCO. However, to allow a further increase of the level of information, extra resources will be necessary. In this respect, the Commission has proposed to the Member States an increase of resources for support expenditure under the 11th EDF. If this surge is accepted, this could help to further increase visibility of Union-funded activities.

255. (§30, page 12) The Parliament calls for improved effectiveness of European development aid to overcome the fragmented way in which it is managed.

Commission's response:

The EU has been a supporter of the Building Block on fragmentation at the 4th High Level Forum in Busan and was instrumental in including in the Busan outcome document, clear and unambiguous reference to donors' responsibility to reduce fragmentation. Further, the same document contains the commitments of development partners to making greater use of country led coordination arrangements, including division of labour and joint programming, the latter being clearly an European initiative. The Commission and the EEAS have put joint programming high on their agendas and identified a number of partner countries where it will commence in 2012. Synchronisation of the EU's programming with partner countries' national development plans and simplification of the programming process will further help to increase the effectiveness of the EU's development assistance.

256. (§31, page 12) The Parliament calls on the Commission to follow up and report on the operation of this new system; notes the fact that the issues which have required clarification between the EEAS and the Commission are being addressed in the 'Working Arrangements between Commission services and the EEAS in relation to external relations issues'; asks the Commission to submit the document to the competent committees of the Parliament when it is finalised, along with a summary of the outstanding issues between the Commission and the EEAS and the strategy to address these issues, as well as the formal clarification in relation to potential flexibility in the use of human resources in Union Delegations.

Commission's response:

Concerning the Relex Family Working Arrangements, although this is an internal document, it can be provided informally as a response to this particular request.

On the subject of a list of "open issues" in relation to the working arrangements/relationship, specific open issues in relation to day-to-day working relations between the EEAS and relevant Commission services were addressed, at the level of principle, through the negotiation of these working arrangements. These are now being successfully implemented. It is not possible to draft a list of outstanding issues, any more than in the case of the working relationship between any two services of the Commission, as minor issues naturally arise and are successfully resolved every day, in the normal course of working relations.

Finally on the subject of flexibility, a copy of the "flexibility letter" of 20 December 2011, co-signed by D. O'Sullivan and C. Day, which explains this point can be made available to the EP. Flexibility measures are currently being successfully implemented.

257. (§32, page 12) To address the issue of persistently high levels of errors in budget support payments the Commission strengthened its training provisions and introduced the Financial Management Toolkit for recipients of Union funds for external actions; the Parliament calls upon the Commission to follow up the issue and to report whether these measures improve the situation.

Commission's response:

The Commission recalls that no errors with any quantifiable financial impact have been found on any budget support transaction in recent years. The Court of Auditors has found in some cases that a more documented and structured approach to the assessment of eligibility criteria and fulfilment of payment conditions was needed and more efforts should be made in the clear definition of indicators. These more qualitative weaknesses are classified by the Court as unquantifiable errors. The Commission is following up on this issue by changing the framework in which budget support operates and improving budget support guidance. The results of this work will be reported in the EuropeAid Annual Activity Report for 2012. The Financial Management Toolkit does not relate to budget support which does not finance specific activities.

258. (§36, page 12) The Parliament calls on the Commission to concentrate on the effectiveness of the programmes by checking results against indicators, to publish the

conditionalities and performance indicators in Country Strategy Papers and to ensure that Delegations' reports provide a structured and formalised demonstration of public finance management progress by clearly setting the criteria against which progress is to be assessed, the progress made and the reasons why the reform programme may have not been implemented according to plan

Commission's response:

The Commission services are working on various ways to strengthen the focus on results of its assistance on the ground, including through its Programming Instructions for the period 2014-20120 and to capture more systematically these results in reporting. In accordance with the new communication COM (2011) 638 The Future Approach to EU Budget Support to Third Countries, guidelines for the designing and implementation of budget support programmes have been revised, taking into account the requests expressed in the recommendation, notably including a chapter on performance assessment. The governance of Budget Support has been strengthened by the establishment of the Budget Support Steering Committee, composed of members of the senior Management of DGs DEVCO, ECFIN and of the EEAS which examine all sensible cases of budget support proposed commitments and disbursements. In addition, the Commission introduced, already in 2010, the obligation for EU Delegations of carrying out a systematic and improved analysis of Public Finance in the beneficiary countries. This is reflected in the new reporting format of PFM Annual Monitoring Reports.

259. (§37, page 13) The Parliament calls on the Commission to continue its efforts to reduce non-quantifiable errors permanently.

Commission's response:

The requested action has been taken. The Commission constantly seeks to reduce its errors, both quantifiable and non-quantifiable. For instance, a 'Financial Management Toolkit' for organisations implementing EU funded projects under EuropeAid's portfolio was made available that will help recipients to reduce errors.

260. (§39, page 13) The Parliament calls on the Commission to continue its efforts to substantiate its decisions concerning the eligibility of budget support and to ensure that all financing agreements provide a comprehensive and clear basis for the assessment of compliance with payment conditions; calls on the Commission to determine the amount to be allocated to individual budget support programmes in a better justified and more transparent manner.

Commission's response:

With the new communication "The Future Approach to EU Budget Support to Third Countries" (COM (2011) 638), the European Commission reinforced the eligibility criteria, added a new eligibility criterion on transparency and oversight of the budget, and defined criteria to decide on the size of budget support. Following the May 2012 Council Conclusions on The Future Approach to EU Budget Support to Third Countries, the Commission is in the process of finalising guidelines for budget support operations. These include updated guidance on

deciding on the size of budget support operations based on a broad qualitative assessment of the following needs and performance criteria:

- Financing needs of the partner country assessed on the basis of its medium term fiscal framework and/or the national/sector development strategies, and the country's own stated aid modality preferences.*
- Commitment of the partner country to allocate national budget resources in line with development strategy and objectives.*
- Effectiveness, value for money and impact of the specific added value that budget support will bring in achieving the partner country's policy objectives.*
- Track record and absorption capacity of past disbursements and how effectively agreed objectives were achieved with budget support operations.*
- Result orientation in the partner country's development strategy including a monitoring system.*

261. (§41, page 13) The Parliament invites the Commission to inform the discharge authority about the reasons which justify that only 28 Public Expenditure and Financial Accountability (PEFA) Reports are available on the Commission's website.

Commission's response:

The Commission only publishes on its own website the PEFA reports which have been produced with the direct support of the Commission. There is, however, a link to the PEFA website where all reports are published.

262. (§42, page 13) The Parliament expects the Commission and the Member States to create a public register in which budget support agreements, procedures and development indicators are transparently listed.

Commission's response:

The 2011 communication on Budget Support commits to the publication of relevant information; the discussions about the nature of the information and the best media is ongoing.

263. (§43, page 13) The Parliament asks the Commission to provide regular reports on accomplishment of the goals set for Union budget support and on specific problems encountered in particular recipient countries; calls on the Commission to ensure that budget support is reduced or cancelled when clear goals are not achieved.

Commission's response:

The Commission covers Budget Support in the annual report on the European Community's Development and External Assistance Policies. The governance of Budget Support has been strengthened by the establishment of the Budget Support

Steering Committee, composed of members of the senior Management of DGs DEVCO, ECFIN and of the EEAS.

264. (§45, page 14) The Parliament urges the Commission once again to help partner countries develop parliamentary control and audit capacities and increase transparency and public access to information, in particular when aid is provided via budget support, in line with the provisions of Article 25(1)(b) of Regulation (EC) No 1905/2006 and; invites the Commission to report regularly on progress achieved.

Commission's response:

In accordance with communication COM(2011)638 The future approach to EU Budget support to third countries, guidelines for the design and implementation of budget support programmes haven drafted and approved, taking these points into account. The importance of parliamentary oversight and transparency has been translated into the introduction of a fourth eligibility criterion, 'transparency and oversight of the budget'. This criterion must be met before Budget Support is committed and will always be verified before each payment. In addition, as part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

265. (§48, page 14) The Parliament urges the Commission to follow the Court of Auditors' recommendations in order to strengthen its risk management, through proper assessment of fiduciary and development risks, and in particular through making better use of information already available.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes haven drafted and approved, taking these points into account. As part of these guidelines a risk assessment framework common with Member States has been drafted and coordinated. According to the Communication, the risk management framework covers the following categories: political governance, macroeconomic stability, developmental risks, public financial management, corruption and fraud. The framework is an important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.

266. (§49, page 14) The Parliament urges the Commission to develop adequate, strict and transparent monitoring methods and to ensure that sufficient and adequate staff are present in the Union Delegations before engaging in GBS in recipient countries with such high fiduciary risks.

Commission's response:

With the finalisation of the guidelines stemming from the 2011 communication, a training effort has been started, including training in HQ, in Delegations and e-learning. However, the Commission reiterates its view that the allocation of staff is constrained by the provisions of the financial framework and the anticipated zero growth in Commission staff. One of the recommendations following the workload assessment in Delegations, subject to adoption by the Commission in the coming weeks, concerns the creation of regional hubs which will provide budget support as well as thematic support for the Delegations in the region.

267. (§50, page 14) The Parliament urges the Commission to invest more in improving the institutions, rule of law, democracy and good governance of the recipient countries.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

268. (§51, page 15) The Parliament calls on the Commission to provide for such objectives of its GBS programmes which take into account the specific circumstances of the partner country, in view of the fact that the overall objective of GBS programmes is to support the implementation of a country's national development strategy.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

269. (§52, first indent, page 15f) The Parliament calls on the Commission and the Member States to show united resolve to play a full and strong political role in their dialogue with the recipient countries, as this role is essential for the success of GBS, in particular when it carries the huge potential impact of a common Union policy, shared by all Member States.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

270. (§52, second indent, page 15) The Parliament calls on the Commission and the Member States to improve their coordination on the procedures.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

271. (§52, third indent, page 15) The Parliament calls on the Commission and the Member States to strengthen their commitment to the objectives of GBS.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

272. (§52, fourth indent, page 15) The Parliament calls on the Commission and the Member States to avoid sending mixed signals to the recipient countries, even if this may seem to be at least as difficult for Member States and the Commission as are the justifiable demands on countries who receive GBS, concerning good governance and the rule of law.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

273. (§53, page 15) The Parliament calls on the Commission to follow the Court of Auditors' recommendations by determining the amounts to be allocated to individual GBS programmes in a better supported and more transparent manner, by focusing its capacity-building on priority needs, by strengthening its management of performance-related conditions as regards general eligibility conditions and specific conditions for disbursement, and by strengthening its approach to dialogue.

Commission's response:

The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account.

274. (§54, page 15) The Parliament calls on the Commission to engage more systematically in a dialogue with the recipient countries on all aspects of GBS and urges the Commission to improve the expertise of its staff in the Union Delegations in order to strengthen this dialogue; calls upon the Commission to ensure that the Union Delegations' staff implementing GBS has adequate access to human resources and information.

Commission's response:

The recommendation has been fully implemented within the Commission. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account: training programmes on policy dialogue are ongoing. However, the Commission reiterates its view that the allocation of staff is constrained by the provisions of the financial framework and the anticipated zero growth in Commission staff.

275. (§55, page 15) The Parliament urges the Commission to improve its reporting on the effectiveness of its GBS programme, in particular by establishing an appropriate quantitative evaluation method and systematic monitoring of progress against clear indicators and measurable objectives.

Commission's response:

The results of three in depth evaluations (Tunisia, Zambia and Mali) have been published in 2011 and further joint donor evaluations are ongoing.

276. (§56, page 15) The Parliament reiterates its calls on the Commission to draw up an annual report on the use of budget support in order to improve identification of the strengths and weaknesses of ongoing budget support programmes.

Commission's response:

The Commission covers Budget Support in the annual report on the European Community's Development and External Assistance Policies.

277. (§57, page 15) The Parliament urges the Commission and other donors to cooperate in order to perform joint evaluation on a regular basis to assess the effectiveness of aid provided through GBS programmes in terms of poverty reduction.

Commission's response:

The results of three in depth evaluations (Tunisia, Zambia and Mali) have been published in 2011 and further joint donor evaluations are ongoing.

278. (§61, page 16) The Parliament insists that at least 20 % of Union aid be allocated to basic and secondary education and basic health; urges the Commission to place greater emphasis on maternal health, as this is the Millennium Development Goal (MDG) for which progress has been disappointing.

Commission's response:

The target quoted by the European Parliament applies to the current DCI, on which the COM reports annually to the EP. This benchmark does not apply to the 10th EDF. In the future, the Agenda for Change will commit the EU to "continued support for social inclusion and human development through at least 20% of EU aid". This implies a more comprehensive approach than the current benchmark. Slow progress in Millennium Development Goals (MDG), especially in MDG 5 motivated the launch of the MDG initiative of EUR 1 billion by the Commission in 2010 to support countries with worst MDG indicators. This initiative resulted in a selection of 10 programmes targeting MDG 4 and 5 in 10 ACP countries with a financial support of EUR 255.4 million.

279. (§62, page 16) The Parliament reiterates its call on the Commission to prioritise support to strengthen health systems by focusing, in particular, on targeting the poorest people, to improve the quality of learning and to help establish a policy framework which favours the poor and which is gender responsive; urges the Commission to ensure better visibility for Union-funded activities overseas.

Commission's response:

The EU's support to the health sector in Low Income Countries (LICs) and Low and Middle-Income Countries (LMICs) aims at equitable access to basic quality health services towards universal health coverage. The way to achieve this is through comprehensive and predictable health systems support. The development of evidence-based and adequately funded national health policies, plans and strategies is key. For being supported by the EC they need to apply reforms reflecting EU values of equity and solidarity with the poor and vulnerable groups. Honouring EU commitments to aid effectiveness, the Commission cooperates with WHO and the International Health Partnership (IHP+) to support partner governments in the development of national health policy frameworks. Where the conditions are met, the EU's preferred aid instrument is sector budget support, linked with effective policy dialogue. Support through national government budgets may reduce the visibility of individual donors' support. However, it does not compromise the need to better report on results and the impact of health aid. The Commission works together with Member States and international organisations to improve reporting on results to the EU tax payer.

280. (§64, page 16) The Parliament urges the Commission, the Council and the ACP states to find solutions to the outstanding issues concerning the proposed Economic Partnership Agreements and free trade between Europe and the ACP region.

Commission's response:

The Commission further stresses that long-term social and economic development requires sustainable sources of income other than aid; in this regard, considers that sound and well-functioning trade relations in line with WTO principles are key for developing countries.

281. (§65, page 16) The Parliament calls on the Commission to ensure that all its partners provide the Commission with an easy and unbureaucratic access to their internal audit reports.

Commission's response:

The requested action has been taken. The Commission works closely together with its partners to ensure access to all necessary documentation, including internal audit reports. This is an ongoing task to which a finalisation date cannot be attached.

282. (§68, page 17) The Parliament urges the Commission to ensure that EDF funding is coordinated with other instruments (Food Facility, Food Security Thematic Programme, European Instrument for Democracy and Human Rights, Non-State Actors/Local Authorities Thematic Programme, Instrument for Stability, Pilot Project Rural Micro-Finance); calls on the Commission to ensure better coherence and complementarity between humanitarian aid and development aid, both at policy level and in practice, and to put greater emphasis on disaster risk reduction and disaster preparedness, as well as to strengthen the resilience of the population at risk.

Commission's response:

The Agenda for change communication, adopted on 13 October 2011 called for improved coherence among EU policies in development. The programming instructions for EDF/DCI for the period 2014-20 sent to EU delegations on 15 May 2012 aim to ensure a comprehensive, consistent and effective approach towards partner countries and enhance coordination and complementarity between geographical and thematic programmes/instruments (DCI, EIDHR, IfS, EDF, etc.). Such an approach is particularly important in ensuring coherence between humanitarian aid and development aid, including in disaster risk reduction and fragility situations. The specific expertise from the EU Humanitarian Aid and Civil Protection department (ECHO) will therefore be sought in both programming and implementation of EDF funded activities.

283. (§71, page 17) The Parliament notes that the mid-term review process is not yet completed for all partner countries, despite the fact that it was scheduled for 2010-2011; expects the Commission to complete it as soon as possible and to provide information on the outcome of the reviewing process on its official website.

Commission's response:

The mid-term review process is now completed for national programmes. It has been delayed to include the Millennium Development Goals Initiative. All the outcomes will be presented on the official website.

284. (§73, page 17) The Parliament urges therefore the Commission to ensure better coherence and complementarity between humanitarian aid and development aid both at a policy level and in practice.

Commission's response:

The Commission is following up on this request, and shares the view that articulating more effectively humanitarian aid and development aid is crucial to break the vicious circle that moves many fragile countries from crisis to recovery, to the next crisis. The Commission is actively preparing an operational strategy on LRRD that will complement the work being done at policy level. At the level of the financial instruments (in the framework of the negotiation of the MFF 2014-2020, specific modalities/procedures that allow addressing transition challenges with management modalities which are more flexible and better respond to post-crisis/transition situations are proposed) and at the level of operations (Horn of Africa and Sahel initiatives for example).

285. (§74, page 17) Requests the Commission to provide Parliament with a list of projects which have been carried out in Haiti with a detailed assessment of their current situation in order to see how sustainable they are since.

Commission's response:

See reply § 149 of the EP general budget resolution.

286. (§77, page 18) The Parliament fully recognises the difficulties encountered by the Commission in executing this programme while working in some of the poorest countries in the regions concerned and trying to reach often the poorest of their populations; agrees that it is a remarkable achievement that 45 % of indicators were achieved and that 30 % were clearly making progress; would like the Commission to indicate, if in the meantime, those figures have improved even further.

Commission's response:

The Commission's annual reports provide yearly analyses of progress made. Data on education indicators is also available in international sources, such as UNESCO's annual "Global Monitoring Report for Education for All" (next edition to be published on October 16, 2012), other UNESCO reports (such as the World Atlas of gender equality in education published in 2012), reports by UNICEF as well as the reports of the Global Partnership for Education (latest report from July 2012).

287. (§79, page 18) The Parliament recalls its previous discharge resolutions, which mention that a major problem in implementing specific development programmes is the lack of qualified staff in the Union Delegations and the support given by the Commission Headquarters; invites the Commission to discuss this with Parliament's competent committees to find a more permanent solution for this problem.

Commission's response:

The Commission is taking the requested action. A specific competition "cooperation and aid management for third countries" was launched in 2011 (reference EPSO/AD/229/11) in order to recruit as of 2012 new qualified staff for the implementation of Development Policy. The Commission does not see the need to discuss this with the Parliament's committees.

The mapping of DEVCO expertise launched in June 2012 is a key tool to enable DEVCO to ensure that the right person and expertise is at the right place.

288. (§80a, page 18) The Parliament invites the Commission to inform the EP about the following: as regards the quality of education (addressed by a staff working document issued by the Commission in February 2010 - SEC(2010)0121): leaving aside the fact that it seems a bit late compared with the start of the programme, could the Commission indicate what other measures are being taken to monitor and improve the quality of education?

Commission's response:

This is an increasing focus of Commission support. Examples include guidance notes and training for Delegation and HQ staff. At country level, an increasing number of EC operations include such action. Examples: Nepal – support to promote teacher competencies and deployment in under-served areas, teaching and learning materials provision to all schools and an initial assessment of learning achievement in Nepali and maths; Namibia - an initiative on Early Grade Reading Assessment (EGRA); Indonesia – supporting the introduction of minimum quality standards for all schools, with a particular focus on those in disadvantaged areas. At global level, the Commission proactively promotes attention to these issues in the International Task Force on Teachers for EFA and the Global Partnership for Education.

289. (§80b, page 18) The Parliament invites the Commission to inform the EP about the following: in some of the countries covered by the Special Report No 12/2010, cases of fraud and mismanagement of government resources were mentioned, including "ghost" teachers; what support is provided by the Commission to help those countries eliminate these forms of fraud?

Commission's response:

Fighting corruption and promoting good governance are a priority for the Commission. Core operational guidance on Project and Programme Cycle Management (PPCM) aims to better structure the country and sector context analysis, including political economy analysis both at country and at sector level so as to get better insight into governance issues and take more informed decisions on objectives and expected results of cooperation. A more structured approach is being developed to improve corruption assessment and support monitoring systems and anti-corruption reforms; sector specific issues, such as 'ghost teachers', will be part of guidance notes developed for the sector as well as being addressed in staff trainings.

290. (§80c, page 18) The Parliament invites the Commission to inform the EP about the following: one of the basic instruments/tools for implementing a successful programme is the availability of proper statistics and evaluations of the actual educational system; the Court of Auditors points out that in a number of countries such statistics and evaluations are not available or not up-to-date; which measures have the Commission taken to remedy this problem?

Commission's response:

Strengthening statistical systems in general, and Education Management Information System (EMIS) of the country in particular, is commonly part of the Commission's support to education policies. The Commission will continue collaboration on this issue with other donors at country level and through international initiatives, such as the Global Partnership for Education(GPE).

291. (§80d, page 19) The Parliament invites the Commission to inform the EP about the following: as the Court of Auditors pointed out, the participation of girls in basic education depends on a large number of non-education-related measures such as separate sanitary facilities, etc, although progress has been made in some of those countries; which specific measures have the Commission taken in each of those countries to increase the participation of girls in basic education, and in which of those countries are all-girl schools considered as a possible solution?

Commission's response:

Gender equality and promoting more equitable participation of girls continues to be a priority for the Commission, through actions stemming from the country context, for example recruitment of female teachers, promotion of gender sensitive curricula, sanitary facilities for girls, etc. Concerning all-girl schools, this is a decision based at least in part on cultural traditions and is the prerogative of the country itself. In some countries all-girls schools may be a necessity, whilst in others there is no demand or need.

292. (§93, page 20) The Parliament calls on the Commission to continue to closely monitor and control the implementation of the Investment Facility, and to inform Parliament's Committee on Budgetary Control on a regular basis of its findings.

Commission's response:

The Commission will continue to closely monitor and control the implementation of the Investment Facility and inform the Parliament's Committee on Budgetary Control on a regular basis of its findings.

This is a continuous process. In order to avoid keeping the recommendation as open for a long time it is marked as 'done'.

Requests to the Commission concerning the EU agencies

293. (*"Resolution on performance, financial management and control of EU agencies"*) The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Agency made from the general budget of the Union; underlines that the document shall include the following information:

- the initial contribution of the Union entered in the budget for the Agency;
- the amount of funds coming from the recovery of surplus;
- the overall contribution of the Union for the Agency;
- the amount of the European Free Trade Association (EFTA)'s contribution

Commission's response:

See reply to request §62 of general budget resolution.

294. (*"Resolution on performance, financial management and control of EU agencies" §1, second demand, page 3*) The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on, if applicable, the level of income generated by the Agencies, and the level of contributions made by Member States and third parties.

Commission's response:

See reply to request §62 of general budget resolution.

295. (*"Resolution on performance, financial management and control of EU agencies" §2, page 3*) The Parliament calls on the Commission to provide the information listed in paragraph 1 for the financial year 2010, in a comparable and transparent manner, as well as for the previous financial years to enable Parliament and the public to compare the Union's contribution to each Agency over time; this will also ensure clarity, transparency and public control over the spending of the Union's money.

Commission's response:

The Commission's annual Working Document on agencies ('WD III) accompanying the Draft Budget provides a full and detailed overview of the information requested.

296. (*"Resolution on performance, financial management and control of EU agencies" §3, page 3*) The Parliament urges the Commission to stop the increases in the Agencies' budgets, to even consider reducing the Union contribution to their budgets; also urges the Agencies to reduce their running costs and overheads, inter alia by merging Agencies with similar or overlapping tasks or multiple sites of location, and establishing mechanisms to show the clear use and accountability of each EUR and to make substantial savings of Union funds

Commission's response:

When preparing the Draft Budget, the Commission makes a rigorous assessment of each agency's needs, in terms of EU contribution and staffing levels. As a result, in the 2013 DB the Commission proposes a stabilisation of the overall level of EU contributions to the agencies, whereas a large number of individual agencies see their budgets frozen at the level of 2012, or even reduced, as the Parliament requests.

The Commission performs its role of guidance and supervision in particular through the Commission representative(s) in agencies' Boards. For more general governance issues, please refer to the work of the Inter-Institutional Working Group on agencies.

297. (*"Resolution on performance, financial management and control of EU agencies" §9, page 4*) The Parliament calls in addition on the Commission to provide guidance and keep strict level of supervision in respect of Agencies.

Commission's response:

When preparing the Draft Budget, the Commission makes a rigorous assessment of each agency's needs, in terms of EU contribution and staffing levels. As a result, in the 2013 DB the Commission proposes a stabilisation of the overall level of EU contributions to the agencies, whereas a large number of individual agencies see their budgets frozen at the level of 2012, or even reduced, as the Parliament requests.

The Commission performs its role of guidance and supervision in particular through the Commission representative(s) in the agencies' Boards. For more general governance issues, please refer to the work of the Inter-Institutional Working Group on agencies.

298. (*"Resolution on performance, financial management and control of EU agencies" §17, page 5*) The Parliament calls on the Commission to investigate the necessity and possible modalities of creating a limited ring-fenced reserve fund to be operated in a transparent way.

Commission's response:

This recommendation is in line with the Common Approach on EU decentralised agencies. The Commission will present a roadmap on the implementation of the Common Approach by end 2012 where it will indicate how it will follow-up on this provision, amongst others.

299. (*"Resolution on performance, financial management and control of EU agencies" §18, page 5*) The Parliament calls therefore on the Commission and all relevant parties involved in the budgetary procedure to implement as soon as possible the Court of Auditors' recommendation for a zero-based budgeting approach for Agencies when drawing up Agencies' budgets, meaning that the budget of each Agency is drawn up without reference to historical amounts and is determined by the stand-alone needs of each Agency.

Commission's response:

See reply to request §3, "Performance, financial management and control of EU agencies" resolution.

300. (*"Resolution on performance, financial management and control of EU agencies" §37, page 7*) Is concerned that the assignment of responsibility for the preparation and adoption of the AWP is not stated in the founding Decision of certain Agencies (e.g. in EUROJUST); considers that this may lead to confusion and lack of ownership for the preparation and adoption of the AWP; awaits the Commission's proposal for a change of legal basis.

Commission's response:

The Commission agrees that annual work programmes are useful a tool for the management of decentralised agencies. This was also recognised in the Common Approach. Relevant adjustments to founding acts will therefore be proposed in the future.

301. (*"Resolution on performance, financial management and control of EU agencies" §39, page 7*) The Parliament requires that the structure of the AAR of each Agency includes a number of common elements based on best practice across the Agencies, with a view to easing comparison; in this respect, urges the Commission to develop an indicative template in cooperation with the Agencies

Commission's response:

The Common Approach on EU decentralised agencies mentions that the Commission should develop an indicative template for Annual Reports in cooperation with agencies. The Commission will present a roadmap on the implementation of the Common Approach by end 2012 where it will indicate how it will follow-up on this provision, amongst others. As indicated in the response to §64, general budget resolution", the templates already used by Commission services for their Annual Activity Reports could serve as a basis for this reflection.

302. (*"Resolution on performance, financial management and control of EU agencies" §46, page 8*) The Parliament calls on the Interinstitutional Working Group on Agencies to consider including a provision on the creation and implementation of a verification mechanism regarding the information provided by the Agencies in the report on Article 96, in order to enable the discharge authority to be confident of the validity of the information received and to allow for a thorough follow-up of the observation and recommendations made by Parliament in its previous discharge resolutions.

Commission's response:

The suggested verification mechanism is not included in the Common Approach agreed as a result of the work of the Inter-Institutional Working Group on Agencies.

303. (*"Resolution on performance, financial management and control of EU agencies"* §49, page 9) The Parliament calls on the Commission to continue its efforts to make information fully accessible and integrate it into its financial transparency system.

Commission's response:

The Commission considers that it is fulfilling the requirements of transparency as defined in Article 30 of the Financial Regulation (FR).

The Financial Transparency System (FTS) provides information related to beneficiaries of EU funds managed by the Commission under centralized direct management. Where EU agencies benefit from EU funding under this management mode, the data are also published.

The transparency requirements constitute a pre-condition for the delegation of implementation of EU funds to agencies. The Commission considers that it should remain so, as agencies are best positioned to have full and reliable information regarding the beneficiaries of the funds they manage. It has issued comprehensive instructions to agencies for ensuring the standardization of information.

The Commission is analysing further improvements through the process of optimization of its financial IT systems.

304. (*"Resolution on performance, financial management and control of EU agencies"* §57, page 10) The Parliament reiterates, moreover, its call to the Commission to provide information on the existence and application of regulations and rules on the cooling-off periods and among comparable cases in all the Agencies before the end of 2012.

Commission's response:

Partially accepted.

Article 16 Staff Regulation (SR) concerns obligations that apply to officials after leaving the service. Articles 11 and 81 of the Conditions of Employment of Other Servants (CEOS) extend the same obligations to temporary staff and contract staff.

The Commission has given effect to these provisions by Decision 85-2004 of 29 June 2004. An update of such decision is currently under examination. And since the Commission considers that the rules on rights and obligations of officials (Title II of the Staff Regulations) should apply by analogy the staff of agencies, the Commission will invite the agencies to update their rules as soon as the Commission has updated its own.

In accordance with Article 110 SR, agencies adopt implementing rules giving effect to the SR or CEOS measures in agreement with the Commission. This implies that each agency is bound to submit to the Commission any draft rule giving effect to the SR before its adoption. The Commission keeps track of all such rules and is accordingly in a position to inform the EP at any time of the rules submitted and subsequently adopted by the agencies. The list of agencies that have

adopted the rules and the text that they have adopted are provided in Annex 1 and Annex 2.

However in theory it cannot be excluded that an agency adopts a rule giving effect to the SR without seeking the agreement Commission. In that case, the Commission would not be informed of the existence of that rule and, accordingly, the Commission would not be in a position to inform the EP.

However, the Commission is not in a position to give a favourable reply to the recommendation insofar as it concerns the application of the rules referred to above in the agencies.

According to the Staff Regulations agencies have an independent status and the Appointing Authority powers are exercised by themselves. As this includes the application of statutory provisions, the Commission has no competence to review the legality of individual acts adopted by agencies, nor is it informed thereon.

305. (*"Resolution on performance, financial management and control of EU agencies" §61, page 10*) The Parliament calls on the Interinstitutional Working Group (IWG) to address the modalities for appointing Agencies' Directors in order to have an open, transparent and trusty recruitment procedure; in this respect calls on the IWG to ensure that its Joint Statement mentions that the candidates selected for the post of Agencies' Directors undergo a public interview by Parliament's committees.

Commission's response:

The Common Approach on EU decentralised agencies does call for "an open and transparent selection procedure that guarantees a rigorous evaluation of candidates and a high level of independence", but makes no reference to the way candidates selected for the post of Agencies' Directors should interact with the European Parliament.

306. (*"Resolution on performance, financial management and control of EU agencies" §62, page 10*) The Parliament notes that, for the European Securities and Markets Authority, the European Banking Authority and the European Insurance and Occupational Pensions Authority (Agencies which were established in 2010 and began operating in 2011), the Executive Director is appointed by the Board of Supervisors but only after confirmation by the Parliament as discharge authority; stresses that this procedure should be the rule for the appointment of all Agencies' Executive Directors.

Commission's response:

See answer provided to §61 "Resolution on performance, financial management and control of EU agencies" resolution.

307. (*"Resolution on performance, financial management and control of EU agencies" §63, page 10*) The Parliament stresses that the role of the European Anti-Fraud Office (OLAF) vis-à-vis Agencies should be formalised, enhanced and made more visible.

Commission's response:

This recommendation is in line with the Common Approach on EU decentralised agencies. The Commission will present a roadmap on the implementation of the Common Approach by end 2012 where it will indicate how it will follow-up on this provision, amongst others.

308. (***"Resolution on performance, financial management and control of EU agencies" §64, page 11***) The Parliament considers that where the Commission has serious reasons for concern that an Agency is about to take decisions or engage in activities which may not comply with the mandate of the Agency, may violate Union law or be in manifest contradiction to the Union policy objective, it has the duty to immediately inform Parliament and Council to enable them to take appropriate action.

Commission's response:

The Commission agrees with this recommendation, which is in line with the alert / warning system foreseen by the Common Approach on EU decentralised agencies. It will implement it whenever needed.

309. (***"Resolution on performance, financial management and control of EU agencies" §67, page 11***) The Parliament believes that every year there are employees, including directors, who rotate between the Agencies; calls on the Commission to provide Parliament with a table of all staff members, in particular directors and persons in management positions who changed working places from one Agency to another Agency or to another Union institution, at least since 2008.

Commission's response:

Each agency has the appointing authority that keeps track of the mobility of its personnel. The Commission does not collect this data. It could be in conflict with the autonomy of the decentralised agencies, if the Commission were to get involved in their staff mobility policy. In addition, it would be questionable to collect these figures in light of the data protection rules. The Commission regrets but cannot give favourable reply.

310. (***"Resolution on performance, financial management and control of EU agencies" §68, page 11***) The Parliament calls on the Commission to provide Parliament with a detailed table of the criteria applied in order to ensure the independence, impartiality, and proper qualification of the staff recruited, including those criteria aimed at stopping or preventing conflicts of interest, and to apply dissuasive sanctions for any irregularity found.

Commission's response:

In line with the response given to recommendation §57, "2010 Discharge: performance, financial management and control of EU agencies", the Commission in this context refers to article 12 b of the Staff Regulations (SR) that applies to officials wishing to engage in an outside activity. Articles 11 and 81 of the Conditions of Employment of Other Servants (CEOS) extend the application of

article 12 b SR to temporary and contract staff. The Commission has given effect to these provisions by Decision 85-2004 of 29 June 2004. However, the Commission is not in a position to give a favourable reply to the recommendation insofar as it concerns the application of the rules referred to above in the agencies.

311. (*"Resolution on performance, financial management and control of EU agencies" §76, page 12*) The Parliament demands that the IAS inform the budgetary authority about shortcomings in the reports compiled by Agencies' directors corresponding to Article 72(5) of Regulation (EC, Euratom) No 2343/2002 and to openly publish the recommendations given to the Agencies in order to guarantee the public interest and thus the effectiveness of their auditing tasks.

Commission's response:

It should be recalled that there is a difference in nature between the work of the internal auditor and the one of the external auditor. While there is a statutory obligation for the external auditor (the Court of Auditors) to send its annual report to the discharge authority (article 143 FR), the internal audit reports should – according to the International Standards for Professional Practice of Internal Auditing – be made available to those that may act on their implementation.

This practice was embodied in the Framework Financial Regulation, which provides that the internal audit reports are addressed to the Executive Director and to the Board of the Agencies. The Discharge Authority and the Commission receive the annual reports under Art.72(4) FFR, which outline not only recommendations, but also highlight whether adequate action was taken on them by the management.

While the reports issued by the internal auditors should NOT be disclosed in a systematic way outside their Institution or Agency, the Discharge Authority could request on individual basis access to an internal audit report in the conditions stipulated in Annex 2 of the Framework Agreement on relations between the European Parliament and the European Commission.

Before making the details of the internal audit reports available to the public internal auditors should check if this will not undermine the purpose of the audit (cf. Art. 4 (2) Regulation 1049/2002). Therefore each case must be considered separately. This is fully in line with the International Standards for the Professional Practice of Internal Auditing, according to which, the Internal Auditor should "assess the potential risk to the organisation" when releasing results to parties outside the organisation.

312. (*"Resolution on performance, financial management and control of EU agencies" §89, page 15*) The Parliament notes that the large size of certain Agencies' governing boards and the nature and high turnover of their members can lead to an ineffective decision-making body; calls, accordingly, on the IWG on Agencies to address this issue together with a re-evaluation of the nature of their members status, scope of competences and conflict of interest related matters; suggests in addition that consideration be given to the possibility of merging governing boards for Agencies working in related fields to reduce meeting costs.

Commission's response:

The Common Approach on EU decentralised agencies includes various provisions aiming at enhancing the efficiency of management boards. For example, it specified that "members of the boards should be appointed in light of their knowledge of the agency's core business, taking into account relevant managerial, administrative and budgetary skills", that "all parties should increase efforts to limit turnover of their representatives in the boards, in order to ensure continuity of the boards' work", and that "in addition to the Management Board (...), a small-sized Executive Board (...) should operate and be more closely involved in the monitoring of the agency's activities, with a view to reinforcing supervision of administrative and budgetary management (...)". The Common Approach also refers to the possibility of merging agencies "in cases where their respective tasks are overlapping, where synergies can be contemplated or when agencies would be more efficient if inserted in a bigger structure".

313. (*"Resolution on performance, financial management and control of EU agencies" §90, page 15*) The Parliament calls for the Commission's position within the Agencies' Management Boards to be reviewed so that it may be given a right to vote and to constitute a 'blocking minority' on decisions relating to budgetary, financial and administrative management; calls, furthermore, on the Commission to notify the discharge authority of any decisions taken by Management Boards that are at odds with the principle of sound budgetary and financial management of Agencies or with the Financial Regulation.

Commission's response:

The Common Approach on EU decentralised agencies recognises that the Commission should fully participate in agencies' management boards. As indicated in the answer to § 64 "Performance, financial management and control of EU agencies" resolution), the Commission representative(s) in agencies' Management Boards will inform the European Parliament and the Council if the Management Board wants to take decisions which may not comply with the mandate of the agency, may violate EU law or be in manifest contradiction with EU policy objectives.

314. (*"Resolution on performance, financial management and control of EU agencies" §95, first demand, page 16*) The Parliament calls on the Commission and/or the Court of Auditors to carry out an evaluation on all the Agencies to detect and analyse:

- the potential synergies and occurrences of unnecessary or overlapping activities of Agencies,
- unnecessary high levels of overhead due to seat location

Commission's response:

In line with the Common Approach on EU decentralised agencies, the Commission will consider merging agencies on a case by case basis, "in cases where their respective tasks are overlapping, where synergies can be contemplated or when

agencies would be more efficient if inserted in a bigger structure". In addition, whenever relevant, it will address the issue of agencies' accessibility in its evaluations.

315. (*"Resolution on performance, financial management and control of EU agencies" §95, second demand, page 16*) The Parliament calls on the Commission to prepare a comprehensive costs and benefits and impact assessment analysing the merger or closure of some of the Agencies if the added-value or effectiveness of the single agency is not sufficient, and to inform Parliament about this issue in due time for the 2011 discharge.

Commission's response:

See the answer to §95, first demand, "Performance, financial management and control of EU agencies" resolution: In line with the Common Approach on EU decentralised agencies, the Commission will consider merging agencies on a case by case basis "in cases where their respective tasks are overlapping, where synergies can be contemplated or when agencies would be more efficient if inserted in a bigger structure".

316. (*"Resolution on performance, financial management and control of EU agencies" §96, page 16*) The Parliament urges the Commission and the Council to take into account the real necessity of each Agency and the need to save Union tax-payers' money in this time of financial and economic crisis, and not take into account some Member States' interests to have an Agency in their particular country for reasons other than the public interest of the Union.

Commission's response:

Following the Common Approach on EU decentralised agencies, all agencies' founding acts should contain either a sunset or a review clause, and "closing down an agency could be a solution for dealing with underperforming agencies unless the agency is still the most relevant policy option, in which case the Agency should be reformed".

317. (*"Resolution on performance, financial management and control of EU agencies" §98, page 17*) The Parliament requests the IWG to come up with a draft proposal on Common Understanding between Parliament, Council and Commission on Agencies.

Commission's response:

The IWG has already agreed on a Joint Statement and a Common Approach on EU decentralised agencies.

318. (*"Resolution on performance, financial management and control of EU agencies" §99, page 17*) The Parliament calls on the Commission to elaborate options on how professional management for cash held by the Agencies could be organised and implemented.

Commission's response:

Cash held by agencies is managed under the responsibility of each agency's accounting officer. Accounting officers are generally selected on the basis of their professional competence in accounting and financial management, including treasury (and cash management). In this respect cash held by agencies is managed professionally.

The Commission also provides, in many different ways, regular support and advice to agencies accounting officers in the area of treasury and cash management, so as to ensure that cash held in the agencies is managed as much as possible in line with the same standards applied by it:

- The Commission organises regular meetings with the community of agency's accounting officers to discuss matters of common interest, provide guidance and inform on best practices in the areas of accounting, financial management and financial systems. Treasury and cash management aspects are always discussed in these meetings, where the Commission also provides information, update and guidance on cash management and risk management.

- All agencies using the Commission's system (ABAC) have available the same tools as the Commission for their treasury and cash management operations. This ensures that controls and procedures applied in this area are similar, although the size of the respective operations differs.

- Agencies' accounting officers receive specific training from the Commission's treasury before adopting the ABAC system.

- Information is exchanged on a regular basis between the Commission's treasury and the accounting officers of those agencies holding high amounts of cash, concerning different aspects of cash and risk management.

319. (*"Resolution on performance, financial management and control of EU agencies" §100, page 17*) The Parliament asks the IWG to identify areas of duplication and overlap amongst existing Agencies and to consider whether some Agencies could be merged

Commission's response:

The IWG did conclude that merging agencies should be considered on a case by case basis "in cases where their respective tasks are overlapping, where synergies can be contemplated or when agencies would be more efficient if inserted in a bigger structure".

320. (*"Resolution on performance, financial management and control of EU agencies" §101, page 17*) The Parliament urges the IWG to consider the question of the geographic dispersal of the Agencies which adds significantly to their costs and makes cooperation difficult; believes that if the Agencies were grouped together in a small number of locations, they could share overheads and management costs, particularly regarding IT, personnel, and financial administration.

Commission's response:

The Common Approach on EU decentralised agencies refers to the "desirability of the geographical spread" of agencies but mentions their accessibility as one of the objective criteria to be taken into account when a seat is chosen.

321. ***(ARTEMIS Joint Undertaking - §20, page 7)*** The Parliament takes note of the Commission's proposal establishing the Specific Programme Implementing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020) - where the Commission raises a possibility of combining ARTEMIS and ENIAC Joint Undertakings into one initiative and the possibility to set up new Joint Undertakings in the context of implementing the 'Societal challenges' part of Horizon 2020; calls on the Commission to keep the discharge authority informed about this matter.

Commission's response:

The Commission will keep the budgetary authority informed in case of any initiative to set up new Joint Undertakings in the context of implementing the 'Societal challenges' part of Horizon 2020.

322. ***(ARTEMIS Joint Undertaking - § 26, page 7)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, "2010 Discharge: EU general budget, Section III, Commission".

323. ***(CLEAN SKY Joint Undertaking - §28, page 9)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, "2010 Discharge: EU general budget, Section III, Commission".

324. ***(ENIAC Joint Undertaking - § 25, page 9)*** The Parliament takes note of the Commission's proposal establishing the Specific Programme Implementing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020) - where the Commission raises a possibility of combining ARTEMIS and ENIAC Joint Undertakings into one initiative and the possibility to set up new Joint Undertakings in the context of implementing the 'Societal challenges' part of Horizon 2020; calls on the Commission to keep the discharge authority informed about this matter.

Commission's response:

The Commission will keep the budgetary authority informed in case of any initiative to set up new Joint Undertakings in the context of implementing the 'Societal challenges' part of Horizon 2020

325. ***(ENIAC Joint Undertaking - § 31, page 10)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to §62, general budget resolution.

326. ***(FCH Joint Undertaking - § 20, page 7)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, general budget resolution.

327. ***(IMI Joint Undertaking - § 34, page 13)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, general budget resolution..

328. ***(ITER Joint Undertaking - § 25, page 11)*** The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, general budget resolution.

329. ***(SESAR Joint Undertaking - §11, page 7)*** The Parliament encourages the Commission and the Member States to increase the effectiveness of how the Single European Sky Regulations are applied, in order to increase the effectiveness of investments in the SESAR project.

Commission's response:

The requested action has been taken. The Commission regularly monitors the implementation of the Single European Sky legislation. A yearly report is produced with the support of Eurocontrol which is the basis for further actions towards Member States, where appropriate. The implementation of some key elements of such legislation, namely the performance scheme, functional airspace blocks, interoperability, flexible and efficient use of airspace, is constantly reviewed to ensure that Member States share the same understanding of the applicable requirements and consistently apply them. The link between these elements and the SESAR project is addressed in the ATM Master Plan and other related plans (such as the Network Strategy Plan).

330. *(SESAR Joint Undertaking - §25, page 8)* The Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers.

Commission's response:

See reply to request §62, general budget resolution.

331. *(CEPOL - § 29, page 11)* The Parliament awaits with interest the submission by the Commission of the proposal for a change of legal basis for the College, as well as the outcome of the negotiations between Parliament and the Council.

Commission's response:

The Commission is taking the requested action.

Following the independent external evaluation of CEPOL of March 2011 and in order to have a more in-depth assessment of the Agency, an external study was commissioned to support the preparation of the Impact Assessment by the Commission on possible future amendments of the Council Decision 2005/685/JHA. This study was finalised on 24 April 2012.

The Commission also carried on external consultations by involving all Member States in the assessment of the functioning of the Council Decision and its revision in the light of the objectives set out in the Stockholm programme.

On this basis, the Commission expects to present a proposal to revise the legal basis of CEPOL by the end of 2012.

332. *(EASA - § 11, page 6)* The Parliament calls on the Commission to ensure that the Agency applies Union rules correctly; stresses the importance of transparency in procurement and staff selection procedures.

Commission's response:

The Commission will not be taking the requested action. The reason for this is that the Commission cannot ensure that the Agency applies Union rules correctly. Indeed traditional agencies, like the EASA, are not under the control of the Commission but under the control of the Member States, via the administrative / management board.

Nevertheless, as a member of the EASA's management board, the Commission will insist that the Agency addresses the issues raised by the Court of Auditors and the Parliament.

333. **(ECDC - §2, page 5)** The Parliament underlines that according to the general budget of the European Union for the financial year 2010 the total contribution to the Centre amounts to EUR 56 225 000 and was comprised of:

- a contribution of EUR 33 360 000 under Titles I and II, and
- a contribution of EUR 22 895 000 under Title III, of which EUR 10 000 000 were paid;

notes, however, that the same document presents a total Union contribution of EUR 53 223 000 for 2010; acknowledges the Commission's statement that the Union's contribution to the Centre for 2010 was EUR 56 225 000 and that the figure of EUR 53 223 000 is the result of inconsistencies in the text accompanying the budget figures; is of the opinion that there is a necessity for the Commission to provide annually the discharge authority with consolidated information on the total annual funding per Agency made from the general budget of the European Union.

Commission's response:

The Commission points out that the difference between the figures results from the availability of assigned revenues stemming from the recovery of agency surpluses, which have been taken into account when assessing the agency's needs. The Commission's agency Working Document ("WD III") provides a full overview of agency resources, including assigned revenues.

334. **(EMA - §5, page 5)** The Parliament stresses that the general budget of the European Union for the financial year 2010, as definitively adopted, presents two different figures as the initial contribution of the Union to the budget of the Agency, i.e. EUR 28 279 600 and EUR 26 335 100; urges, therefore, the Commission to inform the discharge authority of the exact subsidy allocated to the Agency.

Commission's response:

See reply to request §62, general budget resolution.

335. **(EMSA - §15, page 7)** The Parliament draws attention to the new tasks assigned to the Agency in the proposal for a regulation amending its founding Regulation (EC) No 1406/2002; calls on the Commission to increase the resources allocated to the Agency and on the Agency to manage those resources soundly and effectively so as

to properly fulfil the new responsibilities entrusted to it on the basis of that Regulation

Commission's response:

The requested action has been taken. Taking into account budgetary constraints, the Commission has always given the Agency the adequate resources to enable it to carry out its tasks and fulfil its mandate. For the 2013 budget for example, the Commission authorised two extra temporary agents to help the Agency carry out the new tasks assigned to it.

336. (ERA - §3, page 5) The Parliament takes the view that it is extremely important to optimise the use of budgetary resources at a time of financial crisis and urges the Commission and the Agency to analyse and establish the real budgetary requirements in order for the Agency to be able to carry out all the tasks assigned to it.

Commission's response:

The requested action has been taken. Taking into account budgetary constraints, the Commission has always given the Agency the adequate resources to enable it to carry out its tasks and fulfil its mandate.

337. (EUROPOL - §20, page 7) Considering the complementarities between the European Police College and European Police Office, as well as the potential synergies, EP calls on the Commission to prepare a comprehensive impact assessment regarding a potential merger of these two agencies setting out the cost and benefits by March 2013.

Commission's response:

The Commission is taking the requested action.

As already agreed in the Inter-Institutional Working Group on regulatory agencies, merging agencies should be considered in cases where agencies' respective tasks are overlapping, in cases where synergies can be contemplated or when agencies will be more efficient and impactful if inserted in a bigger structure. However, such factors must be considered through in-depth analyses taking into account the specific situation of each agency. The objective is that the Commission presents to the European Parliament and to the Council a proposal which is sound and well thought-through and which delivers to our citizens a body better equipped to train law enforcement officials.

This is why, after a recent independent external evaluation of CEPOL completed in March 2011, an external study was commissioned to assess the functioning and management of the agency. This study was finalised in April 2012. On this basis, the Commission is preparing an impact assessment in view of possible future amendments to Council Decision 2005/685/JHA. A range of policy options will be considered to establish a system able to step up the training of the EU law enforcement officers on EU-related issues, and make it accessible in a systematic manner. The impact assessment will address, amongst other things, the option of a merger of CEPOL with Europol.