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NOTE

From: Presidency
To: Delegations

Subject: The European Court of Auditors (ECA) - three special reports (12/2015, 20/2015, 25/2015)
- *Exchange of views*

In view of the Special Committee on Agriculture on 10 May 2016, delegations will find in Annex a document from the Presidency on the subject of administrative costs in relation to the three ECA reports mentioned above.

Administrative costs in relation to the recent special reports of the European Court of Auditors (ECA) (No 12/2015, No 20/2015 & No 25/2015).

1. Introduction

According to the methodology agreed by the SCA at its meeting on 8 February (doc. 6028/16), the SCA could examine ECA reports in case delegations can identify certain aspects in those reports, e.g. which go beyond the remit of AGRIFIN. At the SCA on 18 April; CY asked for an examination of the conclusions and recommendations of the ECA and the Commission's response to the three above mentioned special reports. The specific aspect that could be examined by the SCA is the impact of the ECA recommendations on the administrative burden for national administrations.¹

2. Relation with the simplification of the CAP

On 11 May 2015, the Council adopted conclusions on the simplification of the Common Agriculture Policy (CAP). In these conclusions the Council also stressed the need for simplification of the rural development programmes:

The programming and approval of rural development programmes should be simplified and their monitoring and evaluation made less burdensome. No conditions should be added during the programme approval process which are not foreseen in the applicable legislation. Efforts should be made to harmonise EAFRD provisions regarding programming and reporting with those existing for other ESI funds. As regards State aid, clearance should be given along with the approval of the programme to the extent possible, striving for a one-stop shop approach;

3. Points for discussion in the SCA

Delegations are invited to reflect on the ECA recommendations, in particular on the impact of those recommendations for national administrations. Delegations are invited to focus their interventions on the following issues and questions:

¹ See the Annex for a summary of the relevant sections of the three ECA reports.

- a. In the framework of the new rural development programming period 2014-2020, the Commission has already followed up to the ECA recommendations, e.g. it prepared guidelines and organised seminars and workshops to assist Member States in view of the appropriate implementation of the new programming period.

Question: *what would Member States expect from the Commission, further to what has already been agreed with the ECA, in order to reach the goal of a proper implementation of the ECA's recommendations in the Member States?*

- b. In order to protect the financial interests of the EU, the ECA recommendations should be implemented. However, it is important to find the right balance as the ECA recommendations could lead to unnecessary high administrative costs and burdens. Several delegations raised this concern in the AGRIFIN meeting of 11 March, where the three ECA reports were discussed. For this reason, the Presidency proposes to underline in the draft Council conclusions on the three ECA reports the need to strike an appropriate balance between safeguarding the EU's financial interests and the administrative efforts and costs of the Member States.

Question: *do you have concrete suggestions for simplifying the rules and procedures concerning the rural development programmes, which are also in line with the ECA recommendations, and which respond to the need to strike an appropriate balance between safeguarding the EU's financial interests and the administrative efforts and costs of the Member States?*

ANNEX: Summary of the relevant sections of the three ECA reports

Special Report No 12/2015: The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures

The Court examined whether the high priority of lifelong learning and knowledge transfer within the EU's rural-development policy was matched by the Commission's and Member States' efforts to deliver high-quality knowledge-transfer and advisory activities. The audit found that this was not the case. Too often Member States relied on the proposals coming from the training providers and any type of training was seen as 'good' and eligible to receive public support. Only infrequently was there proper analysis made of whether such activities could make a real impact. Member States did not always ensure fair and transparent competition when selecting the training activities and paid too much for certain services. In terms of follow-up, the audit found a lack of detailed evaluation of what was actually achieved with the public funds. In its recommendations, the Court particularly encourages the Member States to adapt the knowledge-transfer and advisory activities they choose to the evolving needs of the rural operators through recurrent procedures of analysis and evaluation.

The Commission has updated the guidance document for "Knowledge transfer and information actions" (measure fiche on Art. 14 EAFRD) stressing the importance of conducting a recurrent analysis of training needs in the programming area. The guidance document for "Advisory services, farm management and farm relief services" (measure fiche on Art. 15 EAFRD) was updated to stress the requirements of identifying the need for setting up advisory services and to clarify what could be considered as a new service in an existing advisory service. Member States will be informed about these changes in the Rural Development Committee (RDC) in May 2016.

The Commission has also updated the guidance document on public procurement and rural development and presented this to the RDC in February 2016. The selection of beneficiaries under this measure is governed by public procurement law ensuring a fair, transparent and competitive procedure.

Furthermore, the Commission has included in the Guidance on rural development controls and penalties a specific section on reasonableness of costs and the checklist developed by the ECA on how Member States should assess the reasonableness of costs.

Finally, the Commission has organised several trainings, in Brussels and in some Member States, on Simplified Cost Options.

Special report no 25/2015: EU support for rural infrastructure: potential to achieve significantly greater value for money

The EU co-finances investments in rural infrastructure with the aim to improve competitiveness of the agricultural and forestry sectors and increase the quality of life in rural areas. This audit examined whether the Member States and the Commission have achieved value for money with the funds allocated. The audit found that the need for EU rural development funding was not always clearly justified, coordination with other funds was weak and selection procedures did not systematically direct funding towards the most cost-effective projects. The Commission and the Member States have not collected adequate information on the effectiveness or efficiency of the measures funded, making it difficult to direct future policy and manage the budget by results.

Complementarities and coordination at the EU level between funds have been reinforced in the 2014 – 2020 programming period through the Partnership Agreements where the Member States had to describe the use of ESIF in order to ensure complementarity and synergies of activities. The issue of complementarity is further tackled by the work of High Level Group on simplification for beneficiaries of ESI Funds, where appointed independent experts meet and discuss simplification and the reduction of administrative burden for beneficiaries.

Regarding data on efficiency of the measures: given the limited value of assessing measures in isolation, the evaluation of data should be carried out at the level of the focus areas which reflect the policy objectives. Moreover, the Commission stresses the importance of evaluation to interpret and analyse the data collected in order to draw conclusions on effectiveness or efficiency.

Special report no 20/2015: The cost-effectiveness of EU Rural Development support for non-productive investments in agriculture

Non-productive investments (NPIs) are investments which do not generate significant return, income, or revenue, or increase significantly the value of the beneficiary's holding, but have a positive environmental impact. Public support for NPIs is provided by the European Agricultural Fund for Rural Development and national co-financing. This public support often reaches 100 % of the total investment costs. The Court concludes that NPI support has contributed to the achievement of objectives linked to the sustainable use of agricultural land, but in a way that was not cost effective. This was because the costs of 75 % of the visited projects were unreasonably high.

Furthermore, even though many of these projects had obvious remunerative characteristics, they were fully funded with public money. The Court makes five recommendations aimed at improving the cost-effectiveness of NPIs that will be funded during the 2014-2020 programming period.

The cost-effectiveness of NPI projects must be ensured by Member States through a sound system of checks at the application stage, as required by the legal framework. Some Member States are nonetheless implementing NPIs operation under the 2014-2020 RDP with Simplified Cost Options (e.g. Denmark), where the ex-ante calculations ensure that payments made to the beneficiaries are fair, equitable and verifiable. The Commission has issued specific guidance on SCO and organised numerous workshops in Brussels and in the Member States.

Furthermore, an adequate selection process with aid intensities reflecting the actual environmental impact is fundamental for ensuring effective results under these operations. The Commission has organised training on selection criteria (March 2016) and guidelines on aid intensities will be presented in the coming Rural Development Committee (May 2016).