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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 2014 discharge - Replies to requests from the European Parliament**

{ COM(2016) 674 final }  
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## INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to the 2014 discharge. It presents in detail the answers to 350 specific requests made by the European Parliament in its Resolution forming an integral part of its Decisions on the 2014 Discharge<sup>1</sup>.

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<sup>1</sup> <http://www.europarl.europa.eu/committees/en/cont/discharge-2014.html>

## EUROPEAN PARLIAMENT RESOLUTIONS ON 2014 DISCHARGE

### Commission commitments with regard to discharge priorities

1. (§ 4 - 2014/PAR/0238) The European Parliament calls again on the Commission to submit a communication to the Parliament in time for the mid-term review of the MFF with proposals on how the new and potential challenges requiring Union budgetary support could be met and explaining how it will in future reconcile long-term political objectives (such as the Europe 2020 Strategy) with the future, post-2020, MFF.

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

*The mid-term review of the MFF adopted on 14 September 2016 examines the functioning of the current MFF, and includes proposals to improve the delivery on EU priorities, including on its ability to respond to the major challenges facing the EU.*

*The proposals for the post-2020 MFF are due before 1 January 2018.*

2. (§ 5 and § 134 - 2014/PAR/0239) The European Parliament reminds the Commission that the Court of Auditors ("the Court") has been asking for the establishment of a long-term cash flow plan for several years; calls on the Commission to submit such a plan before the end of 2016.

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

*In its communication on the mid-term review of the MFF, the Commission has presented a payment forecast assessing the sustainability of the current ceilings and including the estimate of de-commitments and the evolution of the RAL until the end of the current MFF.*

3. (§ 6 - 2014/PAR/0240) The European Parliament calls on the Commission to revise the Code of Conduct for Commissioners in light of demands made in the 2014 Commission discharge resolution in time for the 2015 Commission discharge procedure.

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

*Please refer to the replies provided to recommendations 2014/PAR/389-391-392-578.*

4. (§ 7 - 2014/PAR/0241) The European Parliament urges the Commission not to adopt the new framework for Commission expert groups until a meeting of Vice-President Timmermans, the European Ombudsman, key Members of Parliament and civil society has taken place to discuss the final issues concerning both the contents of the new horizontal rules and their implementation.

**Commission's response:**

*First Vice-President Timmermans has engaged both in meetings and in writing with several Members of the Parliament, the Ombudsman and civil society organisations, ahead of the adoption of the new framework for Commission expert groups (C(2016) 3300 and 3301).*

5. (§ 8 - 2014/PAR/0242) The European Parliament calls on the Commission to instruct its directorates general to publish all country specific recommendations they have issued in the context of the European semester in their respective annual activity reports.

**Commission's response:**

*The Directorates-General of the Commission do not individually issue country-specific recommendations. The recommendations are proposed by the Commission and then formally adopted by the Council after discussion in the relevant committees and Council formations. Detailed and comprehensive reporting on their implementation takes place in the context of the country reports of the European Semester, which are produced annually. Eurostat also publishes yearly updates of the developments regarding the main indicators of the Europe 2020 Strategy. Where relevant, a Directorate General reports in its annual activity report on its contribution to the European Semester, including on how its activities contribute to the annual process leading to country-specific recommendations to Member States. Distinction should be made between the reporting on the indicators measuring progress on the Europe 2020 strategy in these reports and the reporting in the annual activity reports of the DGs presenting the results of actions taken by the DG by reference to the objectives set in the management plans. The annual activity reports are not intended to provide a comprehensive and detailed reporting on the implementation of country-specific recommendations.*

**Strategy and mission: continuity and innovation**

6. (§ 24 - 2014/PAR/0243) The European Parliament recalls that in its resolutions accompanying the discharge decisions, the Parliament has since 2013 asked the Commission to focus its implementation of Article 318 of the Treaty on the Functioning of the European Union (TFEU) – concerning its evaluation report – on the implementation of the Union's ten-year growth and jobs strategy and its real performance and results (reference made to European Parliament Resolution of 17



April 2013 with observations forming an integral part of the decisions on Discharge in respect of the implementation of the general budget of the Union for the financial year 2011, section III Commission and executive agencies (OJ L 308, 16.11.2013, p. 27), paragraph 328; European Parliament Resolution of 3 April 2014 concerning discharge for the financial year 2012 (OJ L 266, 5.9.2014, p. 32) paragraphs 314 and 315; European Parliament Resolution of 29 April 2015 concerning discharge for the financial year 2013 (OJ L 255, 30.9.2015, p. 27) paragraph 305).

**Commission's response:**

*Section 1 of the new Annual Management and Performance Report corresponds to the former Article 318 Evaluation Report required by the Treaty on the Functioning of the European Union (TFEU). The new Report presents the links with the Europe 2020 Strategy: 1) for the 2014-2020 programmes, while they are still in an early stage of implementation and it is too early for them to have produced results, the report presents the links between these programmes' objectives and the Europe 2020 Strategy; 2) for the 2007-2013 programmes, the text on the achievements under the budget headings most directly linked to Europe 2020 (1A, 1B, and 2) is structured around the Europe 2020 priorities of smart, sustainable and inclusive growth, showing to the extent possible the contribution of the EU budget to the Strategy's objectives. As indicated in the 2013 edition of the Article 318 Evaluation Report, the Europe 2020 Strategy had not been adopted when the 2007-2013 MFF programmes were designed and their monitoring, reporting and evaluation arrangements were not therefore intended to provide a link between the achievements of the programmes and those of the Strategy.*

7. (§ 36 - 2014/PAR/0244) The European Parliament calls on the Commission to make fuller use of the scope afforded by existing legislation with regard to the performance reserve so as genuinely to create a financial incentive to improve financial management in practice; calls furthermore for greater use to be made of the performance reserve as an instrument to increase the element which is conditional on performance when the legislation is next revised (reference made to point 3.65 of the Court's annual report for 2014).

**Commission's response:**

*The Commission partially accepts this recommendation.*

*The Commission will make a full use of the possibilities offered by the legal basis concerning the performance reserve. It considers that the present legal framework already gives sufficient incentive to Member States to enhance performance, the performance reserve being only one of the elements supporting an increased focus on results. The performance framework provides a mechanism for monitoring whether the implementation of the priorities is on track. The performance reserve*

*provides an incentive to achieve the milestones, which necessarily are the precondition for obtaining the intended results.*

*The assessment of the strengths and weaknesses of the current framework will be carried out for the preparation of the post 2020 legislation. While the Commission is not in a position to commit itself to make specific proposals to the legislator for the next period at that stage, it will consider if further strengthening of the performance reserve rules is needed for achieving the most effective use of EU Funds.*

8. (§ 38 (a) - 2014/PAR/0245) The European Parliament requests that the Commission consider making proposals with a view to:

(a) better aligning the MFF to the Europe 2020 strategy and proposing its revision if needed to better match the Europe 2020 Strategy.

**Commission's response:**

*The Commission refers to the letter of Vice-President Georgieva to the 2014 discharge rapporteur, Ms Dlabajova, of 11 March 2016 (cf. par 1a), which points to efforts already done to ensure coherence between policy objectives and the financial framework for the 2014-2020 MFF period and to the opportunity offered with the mid-term revision of the current MFF for a discussion at political level on how best to balance budgetary means with political priorities. The Commission also refers to its earlier replies to chapter 3 (cf. par 3.8 and recommendation 1) of the 2014 Court of Auditor's annual report.*

9. (§ 38 (b) - 2014/PAR/0246) The European Parliament requests that the Commission consider making proposals with a view to:

(b) reflecting the high-level political goals of the Europe 2020 Strategy in Union-level objectives.

**Commission's response:**

*Common reply to recommendations 2014/PAR/0246 and 0247.*

*The Commission refers to the letter of VP Georgieva to Ms Dlabajova of 11 March 2016 (cf. par 1b), which indicates the actions launched to strengthen the link between the actions of the European and Structural Investment Funds (ESIF) and*

*the Europe 2020 strategy. It equally provides a comprehensive overview of the reporting modalities put in place thereto.*

10. (§ 38 (c) - 2014/PAR/0247) The European Parliament requests that the Commission consider making proposals with a view to:

(c) making sure that partnership agreements and programmes translate the Union-level objectives into thematic objectives that can be linked to operational objectives at the level of the Member States or in the programmes directly managed by the Commission.

**Commission's response:**

*Please refer to the reply to recommendation 2014/PAR/0246.*

11. (§ 39 (a) - 2014/PAR/0248) The European Parliament asks the Commission to propose to the legislator that:

(a) Member States include in their partnership agreements and programmes a statement of the quantifiable results that the funding is intended to achieve, where appropriate.

**Commission's response:**

*The Commission partially accepts this recommendation.*

*Given that the 2014-2020 partnership agreements and programmes have only just been put in place, it would be premature to propose changes before the effective implementation of the new performance related provisions can be fully assessed. The assessment of the strengths and weaknesses of the current framework will be carried out for the preparation of the post 2020 multiannual financial framework (MFF).*

*While the Commission is not in a position to commit itself to make specific proposals to the legislator for the next MFF, it will take into account the Court's and Parliament's suggestions, together with the results of the studies which will be carried out examining the effectiveness of the different mechanisms for strengthening the focus on results in the Common Provisions Regulation, with a view to preparing evidence-based proposals for post 2020 to achieve the most effective use of EU Funds.*

12. (§ 39 (b) - 2014/PAR/0249) The European Parliament asks the Commission to propose to the legislator that:

(b) all partnership agreements and programmes include common results indicators, where possible shared by different funds, designed to monitor progress at the local, Member-State and Union level.

**Commission's response:**

*The Commission partially accepts this recommendation.*

*Where common output indicators can be used (i.e. where they are relevant) the regulation in force requires that they are used and the Commission has insisted on this in the negotiations. The Commission sees only marginal possibilities for common indicators across the other funds because of the different missions of the funds and the different types of investment they support.*

*As regards the European Fund for Rural Development (EAFRD), a common set of context, result and output indicators apply for all programmes (see Annex IV regulation (EU) No 808/2014).*

*Given that the 2014-2020 partnership agreements and programmes have only just been put in place, it would be premature to propose changes before the effective implementation of the new performance-related provisions can be fully assessed. The assessment of the strengths and weaknesses of the current framework will be carried out for the preparation of the post 2020 multiannual financial framework (MFF).*

*While the Commission is not in a position to commit itself to make specific proposals to the legislator for the next MFF, it will take into account the Court' and Parliament's suggestions, together with the results of the studies which will be carried out examining the effectiveness of the different mechanisms for strengthening the focus on results in the Common Provisions Regulation, with a view to preparing evidence-based proposals for post 2020 to achieve the most effective use of EU Funds.*

13. (§ 39 (c) - 2014/PAR/0250) The European Parliament asks the Commission to propose to the legislator that:

(c) the performance framework be based as far as possible on these common results indicators.

**Commission's response:**

*The Commission partially accepts this recommendation.*

*The Commission considers that the performance framework cannot solely be based on the result indicators because of the timing issue (results can only be assessed in some cases a considerable time after outputs) and because of the influence of external factors.*

*The performance framework is the outcome of a legislative process and has been agreed by the co-legislators. Given that the 2014-2020 partnership agreements and programmes have only just been put in place, it would be premature to propose changes before the effective implementation of the new performance related provisions can be fully assessed. The assessment of the strengths and weaknesses of the current framework will be carried out for the preparation of the post 2020 multiannual financial framework (MFF).*

*While the Commission is not in a position to commit itself to make specific proposals to the legislator for the next MFF, it will take into account the Court' and Parliament's suggestions, together with the results of the studies which will be carried out examining the effectiveness of the different mechanisms for strengthening the focus on results in the Common Provisions Regulation, with a view to preparing evidence-based proposals for post 2020 to achieve the most effective use of EU Funds.*

14. (§ 40 and § 43 (c) - 2014/PAR/0251) The European Parliament asks the Commission to include in the next evaluation reports provided for in Article 318 TFEU an analysis of the efficiency, the effectiveness and the results achieved in terms of growth and jobs by the investment plan of EUR 315 billion announced by the President of the Commission Jean-Claude Juncker, on 26 November 2014 in the plenary session of the Parliament.

**Commission's response:**

*The first Annual Management and Performance Report (covering the former Article 318 Evaluation Report under its Section 1) provides an account on the progress made so far under the Investment Plan for Europe. The Commission envisages continuing to report on the performance of the EU budget contribution to the EFSI in future editions of Management and Performance Report. Separate, more extensive, reporting on the performance of EFSI will be provided as foreseen by the evaluation and reporting provisions in the EFSI Regulation (e.g. in spring 2016 the Commission submitted its first Report on the management of the guarantee fund of the EFSI in 2015 (Report on the management of the guarantee fund of the EFSI, adopted on 31 May 2016, COM(2016) 353 and Communication on the Investment Plan for Europe, adopted on 1 June 2016, COM(2016) 359). The Commission recalls that in line with these provisions EFSI is established as an EIB facility and account, and that the EIB shall report to the European*

**Follow-up of the 2013 Commission's discharge**

15. (§ 43 (a) - 2014/PAR/0252) The European Parliament notes with concern that implementation of the following recommendations and requirements in the 2013 Commission discharge is still pending:

(a) a sanction system if Member States transmit incorrect programme information and declarations and in the case of false or incorrect reporting by paying agencies including the three following dimensions, namely inspection statistics, statements by the paying agencies, and the work carried out by the certification bodies.

**Commission's response:**

*The same recommendation was rejected in 2013 discharge. The following justification was given at the time:*

*The Commission is concerned about allegations of "false" or "incorrect" reporting by Paying Agencies and Certification Bodies, as it is not aware of cases where the Member States provided false information to the Commission; Member States appear to simply provide the actual results of their actual controls. The control systems may be deficient but this does not mean that the reporting is false or incorrect. To manage the problem of errors going undetected by the Member States, DG AGRI systematically adjusts the error rate in all cases where there is evidence that the control system is deficient.*

*The Financial Regulation (Article 59.6 of R. 966/2012) does not provide for sanctions against Member States in case of incorrect reporting, but only for corrections in case the applicable rules were breached. Changes such as those recommended by the Committee would necessitate a review of the Financial Regulation.*

*The Commission has already at its disposal and makes full use of a series of preventive and corrective measures available under the legal framework in cases where control systems are partially effective or ineffective: net financial corrections that protect the EU budget, and, where remedial actions are not implemented, suspension/reduction of the payments to the Member State.*

16. (§ 43 (b) - 2014/PAR/0253) The European Parliament notes with concern that implementation of the following recommendations and requirements in the 2013 Commission discharge is still pending:

(b) publishing, where they have voluntarily decided to present them, not only the national declarations but also the annual summaries and management declarations, as "confidential documents" where applicable, in order to give more insight into and achieve a real improvement in financial management; however it is still not clear how effective these measures will be considering the differences in Member's State structures and the political accountability of the different national authorities.

**Commission's response:**

*Annual summaries cannot be published or be made public unless prior authorisation of the Member States concerned has been obtained. The same applies to the management declarations which will be submitted as from the new programming period. Any disclosure of the documents must comply with the rules laid down in the 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).*

*Given the fact that the management declarations will be submitted at the level of managing authorities, resulting thus in a high number of declarations it would not be appropriate to systematically translate and submit the declarations to the European Parliament. However, the EP will be informed on the results of the Commission's assessment of the assurance reporting provided by the Member States, including management declarations, in the respective AAR each year.*

*Concerning the national declarations it is exclusively for the Member States issuing the national declarations to decide whether they publish their declarations. The current national declarations issued by the Netherlands, Sweden and Denmark are made public by the national authorities and can be found on their respective websites.*

17. (§ 44 - 2014/PAR/0254) The European Parliament notes with concern that only 20 recommendations were implemented fully, 26 recommendations are being implemented in most respects and 19 are being implemented in some respects out of 65 of the Court's recommendations made in years 2011-2012; calls on the Commission to adopt Parliament's recommendations and requirements and to continue implementing the Court's recommendations.

**Commission's response:**

*The Commission is committed to ensuring that recommendations made by the European Parliament and the Court in its reports, and accepted by the Commission, are systematically implemented and followed-up. It will strive to further shorten the delays with which these recommendations are implemented.*

18. (§ 45 and § 288 of Part XXIV – Special Report No 2/2016 of the Court of Auditors entitled "2014 report on the follow-up of the European Court of Auditors' Special Reports" - 2014/PAR/0255) The European Parliament stresses that from the point of view of the Parliament it is unsatisfactory when adversarial procedures end with the Commission and the Court drawing different conclusions; calls therefore on both institutions to avoid such an outcome.

**Commission's response:**

*The Commission is always willing to accept the Court's audit observations mentioned in its Special Reports, when they are based on facts and sound professional judgment. In this context, the Commission will follow the resulting recommendations.*

*Furthermore, the conclusions the Court draws from its audits have to be fair, balanced and within the limits set by the legal framework.*

*In order to overcome differences within the DAS exercises and also in response to similar requests by the European Parliament and the Council in previous discharge procedures, the Court and the Commission discussed specific methodological issues in order to find a joint position. An agreement was reached on the assessment of deficiencies detected in public procurement procedures and cross compliance requirements. This agreement will also help to considerably narrow the gap between the Court's and the Commission's conclusions.*

19. (§ 46 - 2014/PAR/0256) The European Parliament requests an action plan from the Commission with deadlines and objectives to strengthen the prevention of these recurrent errors.

**Commission's response:**

*The Commission will assess the need for taking further action to strengthen the prevention of the recurrent errors identified. Taking in consideration that within the new Financial Framework a number of measures have already been taken at legislative level to reduce the number of errors, the Commission will also have to assess the situation under those new rules and to determine if complementary action has to be taken.*

**Position of the Court: The Court's statement of assurance**

20. (§ 52 - 2014/PAR/0257) The European Parliament notes that if the corrective measures taken by the Member States and the Commission had not been applied to the payments audited by the Court, the overall estimated level of error would have been 5,5 % rather than 4,4 %; urges therefore the Commission, authorities in the



Member States or independent auditors to use all information available to prevent, detect and correct possible errors.

**Commission's response:**

*The Commission notes that this recommendation is also addressed to the Member States.*

*The Commission is continuously taking measures to ensure that all available information is used to prevent, detect and correct possible errors.*

*The Commission is already taking into account for its financial decisions and its audit work all available information. This will continue also in the future.*

*The Commission exercises further its supervisory role towards the Member States in shared management through guidance and corrective measures (interruptions/suspensions or net financial corrections). For Cohesion policy, this role will be strengthened even more in 2014-2020 with the annual closure of accounts. For the management of the Common Agricultural Policy, the annual clearance of accounts has been in place since the 2007-2013 period. Now the assurance is further enhanced by the new role of Certification Bodies who provide independent audit opinion on legality and regularity of transactions in the Member States' annual accounts.*

21. (§ 58 - 2014/PAR/0258) The European Parliament calls on the Commission to revise the method for calculating the corrective capacity in time for the 2015 discharge procedure.

**Commission's response:**

*In the 2015 annual management and performance report of the EU budget the Commission has reported on the estimated future corrections. These represent the amount of expenditure in breach of applicable regulatory and contractual provisions, that the DG conservatively estimates it will identify and correct through controls implemented after the payment is authorised. As a general rule, the estimates are based on the average amount of financial corrections and recoveries, and adjusted when necessary in particular to neutralise elements which are no longer valid under the new legal framework and one-off events. For 2015, the resulting estimated future corrections represent between 1.5 % and 1.9 % of the total relevant expenditure.*

22. (§ 61 - 2014/PAR/0259) The European Parliament asks the Commission in cooperation with the Member States to assess for each policy domain and for the Union budget as a whole, the level of error remaining after all corrective measures, taking into account the multi-annual nature of programmes.

**Commission's response:**

*In the 2015 annual management and performance report of the EU budget the Commission has reported for the first time on the estimated amount at risk at payment for the 2015 expenditure, the estimated future corrections and the resulting estimated amount at risk at closure per policy area and for the EU budget as a whole.*

*The amount at risk at closure represents the Commission management's view at the end of the financial year on the performance of the controls implemented before payment (preventative, ex-ante) and after payment (corrective, ex-post). It appropriately reflects the fact that the control cycle is multiannual and that further corrective measures can be implemented until closure.*

*For some programmes (e.g. EAFRD and ESIF) financial corrections are still possible even after the closure. In those cases, such corrections are considered to be inherently part of the estimated future corrections which will limit the amount at risk at closure.*

*The estimated amount at risk at closure after implementation of all corrective measures represents between 0.8 % and 1.3 % of total 2015-expenditure. Thus, the multiannual corrective mechanisms will adequately protect the EU budget from expenditure in breach of law.*

23. (§ 62 - 2014/PAR/0260) The European Parliament calls on the Commission to apply strictly Article 32(5) of the new Financial Regulation if the level of error is persistently high, and consequently to identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action in terms of simplification, improvement of control systems and redesign of programmes or delivery systems before the mid-term review of the 2014-2020 programming period.

**Commission's response:**

*Based on the lessons learnt regarding the weaknesses in the control systems of the previous MFF, the Commission reviewed the legislation for the new period and made proposals with the aim to improving the control systems and reducing further the level of the error, while considering appropriate cost-benefit ratio of controls. Notwithstanding, not all of the Commission proposals have been retained by the legislator.*

*The Commission will carry out analyses of “areas of persistently high levels of errors” and report on the root causes and on measures taken to address them, while ensuring cost-effectiveness of controls.*

*In this respect, the Commission is committed to continue to closely coordinate with the Member States and other entities entrusted with the implementation of the EU budget, to identify areas where concerted action is necessary or is considered likely to be beneficial.*

24. (§ 69 - 2014/PAR/0261) The European Parliament requests the director general of DG DEVCO to provide a more risk differentiated assurance in his annual activity report and to subsequently direct more of their control resources towards areas covered by specific reservations.

**Commission's response:**

*The requested action has been taken.*

*A more risk-differentiated assurance was given in the DG DEVCO 2015 Annual Activity Report produced in March 2016. An action plan is being drawn up to take into account the specific areas for which a reservation was issued.*

**General budgetary and financial management**

25. (§ 74 - 2014/PAR/0262) The European Parliament recommends that the rules and regulations be verified via a regulatory impact assessment (RIA) process to test their compatibility and compliance with Union needs and targets, as in the case of cost reimbursement schemes, while the most typical example of errors include payments for ineligible costs (41 %) and errors in public procurement (27 %); notes that those errors can differ from a fraud or an act of deliberate deception to gain benefit.

**Commission's response:**

*The Financial Regulation 966/2002 (article 30) already requires that an ex-ante evaluation be carried out for all programmes or activities occasioning significant budget expenditure. The requirements of the Financial Regulation and its delegated acts as to the content of the ex-ante evaluation cover the principles of sound financial management which are also embedded in the impact assessment process for financial programmes and instruments. These rules and principles are set out in the Commission's Better Regulation Guidelines, which include demonstrating the EU added value, assessing the cost-effectiveness (efficiency) of a proposal, and setting out the policy and management objectives to be achieved (such as measures necessary to safeguard the financial interests of the Union in the field of fraud prevention, detection, investigation, reparation and sanctions).*

26. (§ 78 - 2014/PAR/0263) The European Parliament expresses concern at the rate of absorption of funds in Member States, which varies between 50 % and 92 %; calls on the Commission to present a thorough analysis of why it is that some regions still

exhibit low rates of absorption and to assess specific ways of remedying the structural problems underlying those imbalances.

**Commission's response:**

*The Commission put in place in November 2014 a Task Force for Better Implementation (TFBI) with the mandate to help countries with significantly lower-than-average absorption rates to improve and accelerate implementation.*

*The TFBI assessed the situation in each of the 8 Member States covered (BG, RO, CZ, SK, HU, IT, HR, SI), identified the bottlenecks hampering successful implementation, defined country and programme-specific concrete action plans - containing quantifiable milestones and implementation targets - and closely monitored their implementation through missions and high-level and technical-level meetings with the concerned Member States. It also fostered exchange of experience and good practices among the participants and assisted Member States to combine the maximisation of the use of the available flexibility provisions following the line requested by the European Council in December 2014 and ensured a better spending of the funds.*

*Among the actions undertaken to solve the challenges faced were the following:*

- ☐ *identification of new projects that can be selected and implemented quickly;*
- ☐ *identification of specific well-performing priorities that can absorb more than initially identified or well-implemented projects which can be expanded;*
- ☐ *projects initially planned for the new 2014-2020 programmes where some parts can be implemented under the 2007-2013 programmes (phased projects);*
- ☐ *number of programme or project modifications undertaken (and ongoing).*

*In this context, following the conclusions of the European Council in December 2014, the optimal use of flexibility provided within the Closure Guidelines has played an important role. The following additional measures are the most widely used in the countries concerned:*

- ☐ *the possibilities to compensate lower absorption in one priority by over declaration of expenditures in performing priorities (10% flexibility),*
- ☐ *flexible arrangements regarding phasing of projects between the 2007-2013 and the next period or*
- ☐ *disbursement of funds from financial instruments to final recipients theoretically till closure (in practice till summer 2016 to leave time for the necessary check by the national authorities).*

*The impact of the work of the TFBI is quite visible as the rhythm of implementation has further accelerated in 2015 and 2016 and as of July 2016, all Member States except 6 had reached or exceeded an overall implementation rate of 90% for ERDF/CF operational programmes. Malta, Italy and Romania are still experiencing some delays (implementation rates of 75%, 76% and 77% respectively). While the situation for Croatia seems remains challenging (52%), the latter has however another year of implementation ahead.*

*The Commission will be able to fully appreciate the impact the TFBI had on the optimum use of the 2007-2013 allocations at closure. For the time being, it can be confirmed that, contrary to some earlier forecasts, none of the three countries concerned by automatic rules leading to losing funds at the end of 2015 (Slovakia, Croatia and Romania) have lost ERDF or Cohesion Fund resources.*

*In the medium-term, the Commission intends to ensure that full benefit is drawn from the work of the TFBI and will focus on delivering a more pro-active, hands-on, targeted approach to advice and support for Member States, ensuring that the progress made, and the lessons learnt, help to provide a better implementation of funds in 2014-2020.*

27. (§ 79 - 2014/PAR/0264) The European Parliament appreciates the innovative nature of the Court's 2014 annual report which included a results- and performance- based approach, assessing the application and orientation of Union budgetary interventions against the Europe 2020 Strategy priorities; considers that a results- and performance- based approach should be applied in the coming years, when drafting country-specific recommendations (CSRs) in the context of the European Semester.

**Commission's response:**

*The country-specific recommendations provide policy guidance to the Member States that should be implemented within a 12-18 month time frame. They put the focus on what to achieve, instead of prescribing how to achieve it. The European Semester is a politically driven and focused process, underpinned by technical analysis. It is predominantly a qualitative exercise, not a mathematical one. In particular, the country-specific recommendations are about quality, not quantity. Not all reforms – particularly the kind of wide-ranging structural reforms in the country-specific recommendations – lend themselves to quantitative targets, for example in areas such as pension reform and improving the quality of public administration. That said, there is an explicit link between the use of the EU budget in the Member States and the promotion of policy reforms. In accordance with the legal framework covering the European Structural and Investment (ESI) Funds, the programmes co-financed by ESI Funds for the period 2014-2020 address all relevant country-specific recommendations in the context of the European Semester. The operational programmes have been closely aligned with past country-specific recommendations and their approval has been subject to the implementation of a number of reforms (ex ante conditionalities) in order to facilitate the use and effectiveness of ESI Funds.*

## Budgetary performance

28. (§ 83 - 2014/PAR/0265) The European Parliament recommends a continuation of the process of simplification of both procedures and budgetary content leading to a reduction of excessive administrative burdens and to limitations on gold-plating in particular Member States.

### Commission's response:

*The Commission continues to pursue further simplification and rationalisation in the domain of financial management, control, accounting and audit. Simple, accessible funding is among the core objectives of the Commission's Budget Focused on Results Strategy. The Simplification Scoreboard has been re-launched - for the first time, simplification of budget implementation will be monitored not only at Commission level but also at Member State level. Work has also continued to simplify financial rules in view of preparing a simplification package together with the Mid-Term Review of the MFF.*

*A number of fund-specific simplification initiatives have also been launched such as a large-scale simplification of the CAP, as well as the set up of a High-level Group monitoring simplification for beneficiaries of ESI Funds.*

*Regulatory simplification is also one of the cornerstones of the Commission's better regulation agenda and the REFIT programme. The Interinstitutional Agreement on Better Law-making between the Commission, EP and Council signed and entered into force on 13 April 2016 calls upon the Member States to communicate clearly to their public when they adopt measures to transpose or implement Union legislation or to ensure the implementation of the Union budget.*

29. (§ 84 - 2014/PAR/0266) The European Parliament recommends an improvement in the budgetary procedure in terms of providing performance information and management, including the cost effectiveness of controls, declaration of assurance and discharge, project databases and communication.

### Commission's response:

*Lessons have been drawn and concrete developments have been made in 2016 to improve the reporting on performance and make it more useful for decision-makers.*

*In particular, the structure and content of Programme Statements accompanying the Draft Budget 2017 were modified providing more focused picture on the programmes' progress. They include both ex-ante and ex-post information on programmes' performance including outputs and results and the progress toward their targets. In addition to the performance information required by the Financial*

*Regulation, two new sections have been added: one on updated information on the programme implementation, and the second one on the summary of the conclusions from the evaluations of the previous MFF programmes.*

*Commission's progress on improved performance reporting is also evidenced in 2016 with the Annual Management and Performance Report for the 2015 EU Budget. This report combines for the first year two former reports: the Evaluation Report produced in accordance with Article 318 of the Treaty on the Functioning of the European Union; and the Synthesis Report required by Article 66 (9) of the Financial Regulation. Bringing together information on the performance and management of the EU budget, the report provides a comprehensive overview of how the EU budget supports the Union's political priorities, and of the role the Commission plays in fostering a culture of performance and in ensuring and promoting the highest standards of budgetary management. The report is an important part of the Commission's contribution to the annual budgetary discharge process and includes two main sections:*

- Section 1 summarises the performance of the budget based on the evidence available in 2015 on the results achieved with the EU budget. For each of the budget headings, it provides information on the progress of the 2014-2020 MFF programmes and the latest available evidence on the results of the 2007-2013 MFF programmes;*
- Section 2 describes the Commission's management of the EU budget in 2015 summarising information on the achievement of the internal control objectives; managing legality and regularity risks; the cost effectiveness of controls; and anti-fraud strategies. As to legality and regularity, the Commission presents for the first time a consolidated estimation of the amount at risk at closure, i.e. the estimated level of error after all corrective measures have been implemented at the closure of the programmes.*

*Alongside the developments made on reporting the performance of the EU budget the Commission has also worked at improving its communication on its efforts to make the EU budget more focussed on its results. For this purpose a high-level conference on 'Budget Focused on Results' is organised every year since September 2015 to better understand stakeholders' expectations and visions for the present and future of the EU budget and to share best practices. This is complemented by a series of expert meetings on performance-based budgeting where the Commission is pooling the expertise from the Member States, international organisations and other European institutions to identify elements of performance-based budgeting useful for the EU budget.*

*Finally, the Commission has launched a new initiative for the Web application to communicate examples on how the EU Budget is spent and makes the difference. It includes already more than 850 projects in Europe and beyond covering all kinds of funding areas: the projects cover all the areas covered by the EU Budget such Agriculture, Transport, Development, Competitiveness, Economic governance, Research and so for.*

*Notwithstanding the progress achieved in 2016, the Commission remains committed to continuously improving year-on-year the quality of information on the performance and management of the EU budget which is provided to the Budget Authority.*

30. (§ 85 - 2014/PAR/0267) The European Parliament calls on the Commission to improve communication and cooperation between actors involved in budget planning, implementation and discharge, and with the wider public, by aligning expectations, sharing experiences on implementation and reporting on the attainment of results.

**Commission's response:**

*There are many actors involved in the budget planning, implementation and daily management of the EU funds leading to the discharge. At every step of the budgetary cycle, the Commission cooperates with different actors and stakeholders in order to efficiently manage EU Budget:*

*1) The preparation of the Budget is preceded with the consultation with the European Parliament and the Council at the Trialogue meetings and follows the Budgetary Authorities' guidelines related to the draft budget for the year in question. DG BUDG coordinates the preparation of the Draft Budget but all DGs/Services are appropriately consulted and the Draft Budget is adopted by the College.*

*2) After the submission of the Draft Budget to the Budgetary Authorities, the Commission holds many meeting with the Council, the Parliament or both at the Trialogue meetings in order to explain the proposal, discuss it and find a consensus leading to the final adoption of the Budget.*

*3) During the budgetary year, the Commission is also active in communication and is available for the discussions, not only with the Budgetary Authority but also with the Court of Auditors and other stakeholders. In addition, the Commission prepares regularly various the reports which are requested by the Financial Regulation.*

*In parallel, the EU Budget Focused on Result (BFOR) imitative launched by Vice-President Kristalina Georgieva in 2015 recognized the communication on the EU budget matters with all stakeholder involved as one of the most important work streams of that initiative.*

*Within this framework, the Commission has made an important investment for improving it planning, implementation and discharge activities.*

*In particular some actions can be mentioned:*



*-On the planning side with the definition of the Strategic Plan and Management Plan the Commission has more streamlined and centred the activities of its services on the priorities of the Commission and the competencies of the DGs with a clearer framework for the Commission and DGs' accountability: general objectives have been defined at Commission level and specific objectives at levels corresponding to the DGs' accountability, DGs' operational priorities have a clear distinction between attribution and contribution for policy and programmes' results.*

*-On the implementation side, Programme reporting is consolidated into Programme Statements accompanying the draft budget including programme implementation update and lessons learned from evaluations. The structure and content of Programme Statements were modified providing more focused picture on the programmes' progress. They include both ex-ante and ex-post information on programmes' performance including outputs and results and the progress toward their targets. In addition to the performance information required by the Financial Regulation, two new sections have been added: one on updated information on the programme implementation, and the second one on the summary of the conclusions from the evaluations of the previous MFF programmes*

*-On the discharge side, for 2015, for the first time, the Commission reported on the EU budget in an integrated package: EU Budget Integrated Financial Reporting Package 2015, which includes four reports, providing key and detailed information for the reporting year on revenue, expenditure, management and performance, notably. The Commission considers that this package is an example of the Commission's unwavering commitment to the highest standards of financial transparency and accountability. In its view, bringing these four specific reports together in one integrated package demonstrates the Commission's effort to provide streamlined yet comprehensive information on revenue, expenditure, management and performance of the EU budget.*

*Collaboration with stakeholders have been further enlarged and reinforced with the launching of the expert's meeting on performance based budgeting. This group bring together experts from the European Parliament, Member States dealing with budgetary matters, representatives from the Court of Auditors and Commission services with a view to better understand stakeholders' expectations and visions for the present and future of the EU budget and to enable discussion, exchange of point of view and practices at technical level on issue pertaining the EU Budget performance framework. The first meeting has launched this process and the second meeting focused on performance indicators.*

*The communication on the EU Budget performance has been a continued effort: in this areas can be mentioned the 2015 Conference on EU Budget focused on results one of the flagship events of the BFOR initiatives offering a high-level discussion on key questions on the European budget policy agenda and bringing participants from various Institutions, International Organizations, journalists and citizens interested in the topic with the EP represented at speakers' level. This year another BFOR Conference will take place the 27th September.*

*Finally, the Commission has launched a new initiative, the EU Results Web application to communicate examples on how the EU Budget is spent and makes the difference. It includes already more than 850 projects in Europe and beyond covering all kinds of funding areas: the projects cover all the areas covered by the EU Budget such Agriculture, Transport, Development, Competitiveness, Economic governance, Research and so for.*

*Notwithstanding the progress the Commission remains committed to continuously improving its dialogue with all actors involved.*

31. (§ 86 - 2014/PAR/0268) The European Parliament calls on the Commission to consider using tools such as social media, surveys and focus groups to measure public awareness and assess ways to improve their communications strategy in future regarding the results of the projects to the citizens.

**Commission's response:**

*DG COMM already uses and will continue to use all three tools mentioned. Measuring public awareness to improve communication actions is kept under constant review, including each year at the annual "EU Budget for Results" conference".*

32. (§ 88 - 2014/PAR/0269) The European Parliament recommends corresponding improvements in areas such as the alignment of control intensity with risk, mapping performance reporting or the reliability of control results reported by Member States.

**Commission's response:**

*The Commission is continuously working at improving the cost-efficiency of its control through a better risk based approach and also through its efforts in simplifying rules.*

*In particular, all Commission departments have been invited to review their control systems in order to ensure that they are risk-based, taking into account their cost-effectiveness and having due regard to the management environment and the nature of the actions financed. By the end of 2015, 25 departments had done so; half had taken measures to improve cost-efficiency while the others concluded that no changes were needed. The remaining departments are expected to implement measures or carry out their review in 2016.*

*As regards the reliability of the control results reported by Member States, the DGs implementing the budget in shared management remain committed to further strengthen the methodology used to assess the reliability of the data transmitted by the relevant national authorities.*

33. (§ 90 - 2014/PAR/0270) The European Parliament recommends focusing on the performance-based approach and on the issue of market imperfections/failures, as this approach helps focus Union funding interventions on areas where criteria of economy, efficiency and effectiveness are best accommodated; points out that the design should be tailored to a set of different market imperfection/failure types, one connected with information asymmetry and the other related to commercial assessments of return that broadly do not include all positive externalities and wider social benefits whereas both are justifiably supported by Union funding.

**Commission's response:**

*The Juncker Commission aims to develop a stronger performance culture in relation to the EU budget. One of its top priorities is to ensure that the budget focuses on delivering tangible results for the benefit of citizens. To this end a network of Commissioners has been established ('an EU budget focused on results') to enhance the performance based approach to Union funding interventions, which among others, includes economy, efficiency and effectiveness considerations. Supporting competitiveness and employment is one of the priorities of the EU 2020 strategy upon which the operational programmes have been agreed with MS and largely implemented by them. In line with the agreed pragmatic approach to focus on results, the Commission has also undertaken a collaboration with the European Parliament, the Council and the European Court of Auditors to discuss specific aspects of performance based budgeting.*

34. (§ 92 - 2014/PAR/0271) The European Parliament calls urgently for clarification as to how much money was paid from Union funds to media undertakings in each Member State, which undertakings have received payments and whether the reason was to publicise the funds or another reason.

**Commission's response:**

*Media companies may receive Structural Funds monies in two main ways:*

- In the 2007-2013 programmes technical assistance support to the information and communication activities of programmes often involve service contracts signed by the Commission with different media enterprises (delivery of services against payment). These activities are part of an overall programmed budget of EUR 1.7 billion (0.6% of ERDF/CF) for " Evaluation and studies; information and communication" across all Member States.*
- Media companies may also be beneficiaries of grants or other public aid under different innovation and business support measures of co-funded programmes implemented by the Member States.*

*However, for Cohesion Policy under shared management the Commission has the responsibility to manage programmes and not projects. Therefore, it does not dispose of data giving a systematic overview of such media related support.*

*Having said that, Regulation (EC) 1828/2006, Article 7(2)(d) requires the managing authorities to publish a list of beneficiaries, the names of operations and the amount of public funding allocated to the operations. Such publications are done for all programmes under Cohesion Policy for the period 2007-2013. This requirement continues to apply to the 2014-2020 period (Article 115(2) of the Regulation (EU) 1303/2013).*

*For the European Regional Development Fund and for the Cohesion Fund, the Commission provides an overview to the national internet sites on which the above lists are published:*

*[http://ec.europa.eu/regional\\_policy/en/atlas/beneficiaries/](http://ec.europa.eu/regional_policy/en/atlas/beneficiaries/)*

35. (§ 95 - 2014/PAR/0272) The European Parliament underlines that the better Member States strive to fulfil the national and quantified Europe 2020 Strategy targets, the more Union budgetary spending can be targeted, and the more those targets will reflect the real Union economic, social, territorial and environmental needs, the better the Union will ensure an environment for sound financial management; in this context, recommends the creation of a permanent platform composed of the Commission, national governments' representations, including the permanent representations to the Union, regional governments and authorities.

**Commission's response:**

*Under shared management the necessary arrangements to implement the EU budget between the Commission and the Member States already exist and structures that allow the Commission and the Member States to exchange information are already in place such as: Monitoring Committees of the individual operational programmes (where Member States and local authorities, non-governmental organisations, social partners and the Commission are represented); the European Structural and Investment Funds expert groups in the Council or the Commission-run networks (e.g. Evaluation Networks of DG REGIO and DG EMPL), which also serve as a platform for exchange of views between the Commission and the Member States. In addition, Member States were invited to focus their 2014-2020 Partnership Agreements with the Commission on contributing to the Europe 2020 Strategy.*

*Finally and in the framework of the Commission's initiative "EU Budget Focused on Results", the Commission also set up an inter-institutional working group that gathers representatives from the Member States, the European Parliament, the European Court of Auditors, international organisations and the Commission with the objectives to exchange knowledge and best practices and achieve a common understanding on budget performance framework and concepts.*

36. (§ 98 - 2014/PAR/0273) The European Parliament calls on the Commission to provide guidance to the Member States so that partnership agreements and operational programmes transpose more fully the Europe 2020 Strategy and also implement the concept of common results indicators as proposed in the Court's 2014 annual report.

**Commission's response:**

*The Commission accepts this recommendation in its part concerning the alignment of ESI Funds to the Europe 2020 Strategy and rejects it in its part concerning the proposed concept of common result indicators.*

*Regarding the transposition of the Europe 2020 Strategy in operational programmes, the Commission considers that ESI Funds do contribute to the achievement of the political priorities of the Union and there is an explicit link to the Europe 2020 Strategy through the thematic objectives. However, the latter was conceived as a broad development strategy for the Union, not only for the EU budget. The Commission does not recommend a mechanistic approach in applying the Europe 2020 targets to the EU budget. Nevertheless, any modification of partnership agreements and operational programmes should take into account the contribution of ESI Funds to the Europe 2020 Strategy. This approach will be applied during the implementation of the 2014-2020 period.*

*Regarding common result indicators, they are set in all programmes across all funds. It was not considered however relevant to have common result indicators across the ESI Funds due to the variety in the types of investments and changes targeted. The Commission will assess and report on results based on the relevant indicators identified for each priority within programmes, but not through a simple aggregation of information across all funds, which is not considered useful due to the variety of expected results.*

37. (§ 101 - 2014/PAR/0274) The European Parliament urges the Commission to strengthen the negotiations with the Member States regarding the necessity of publishing national declarations and annual summaries.

**Commission's response:**

*Annual summaries cannot be published or be made public, unless the European Parliament has obtained the prior authorisation of the Member States concerned. Any disclosure of the documents must comply with the rules laid down in the 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).*

*The 2013 annual summaries were translated and submitted to the European Parliament in May 2015. To date, the Commission has received the approval of seventeen Member States for the transmission of the annual summaries to the European Parliament: Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Greece, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Romania, Slovenia, Slovakia, Sweden, United Kingdom, and recently Hungary. Sweden has requested that publication of its annual summary would be accompanied by its national declaration.*

*However, the EP will be informed on the results of the Commission's assessment of the assurance reporting provided by the Member States, including management declarations, in the respective AAR each year.*

*Concerning the national declarations it is exclusively for the Member States issuing the national declarations to decide whether they publish their declarations. The current national declarations issued by the Netherlands, Sweden and Denmark are made public by the national authorities and can be found on their respective websites.*

38. (§ 109 - 2014/PAR/0275) The European Parliament recommends that the Commission fit all reporting arrangements into a single coherent system to protect the financial interests of the Union, thereby making the fight against fraud and corruption more effective

**Commission's response:**

*With regard to the reporting for the protection of the financial interests of the Union, coherent systems are already in place, managed by the competent service, and have been integrated to the maximum extent possible.*

*Regarding the expenditure areas of the budget, a legislative package (4 delegated and 4 implementing acts) concerning the reporting of irregularities (including suspected fraud) was adopted in 2015, covering all areas of shared management. Furthermore, in April 2016 a new version of the IT tool known as the Irregularity Management System, managed and maintained by OLAF, was released to further streamline the reporting of irregularities. Irregularities concerning Traditional Own Resources (TOR) are reported via an IT system known as OWNRES and managed and maintained by DG BUDG via the OWNRES application while the Commission follows the cases related to direct expenditure through the Commission's Accrual Based Accounting System (ABAC). All the results are reported and analysed in the Commission's Annual Report on the protection of the EU's financial interests.*

*Integrating all reporting arrangements into one system would be practically difficult and not necessarily desirable given that the existing systems relate to different budget areas and management modes.*

39. (§ 110 - 2014/PAR/0276) The European Parliament calls on the Commission to improve legislation in this regard (transparency), making it compulsory to publish data relating to all the beneficiaries of Union funding, including data on subcontracts.

**Commission's response:**

*In making the rules (Art. 35 of the Financial Regulation), the Commission had to make a balancing test in order to comply with the case-law of the Court of Justice (Joined cases C-92/09 and C-93-09, known as the "Schecke" case). The obligation to disclose the information on recipients must be waived if it risks threatening the rights and freedoms of individuals concerned, as protected by the Charter of Fundamental Rights of the European Union, or harm the commercial interests of the recipients, as in the case of grants, procurements, and prizes. When it comes to the implementation of the principle of transparency, the Commission strives to increase the transparency vis à vis the citizen of the Union, unless when the level of publication went beyond the protection of personal data as it was previously the case in the agricultural sector before the Court invalidated the relevant provisions.*

*In the same spirit, the rules of application of the Financial Regulation (Article 21) foresee that the publication should be waived for contract below Euro 15.000 and for scholarships and other direct support paid to natural persons in most need. It is justified by the fact that a rather small amount of natural persons are concerned by these spending.*

*Furthermore, the proposal for a revision of the Financial Regulation adopted by the Commission on 14 September 2016 resorts to publishing aggregated data (policy area, type of support, type of beneficiary) about certain beneficiaries of financial instruments, in order to respond to input from entrusted entities that individual data publication is too burdensome.*

40. (§ 111 - 2014/PAR/0277) The European Parliament urges the Commission to join the Criminal Law Convention on Corruption (ETS No. 173) of the Council of Europe and to speed up the negotiations on the participation of the Union in the Group of States against Corruption (GRECO), in order to contribute to more co-ordinated anti-corruption policies in Europe.

**Commission's response:**

*On the EU accession to the Council of Europe Criminal Law Convention on Corruption (CETS No.: 173), Additional Protocol to the Criminal Law Convention on Corruption (CETS No.: 191) and Civil Law Convention on Corruption (CETS No.: 174: EU accession had been considered at the end of the 1990's until 2004. At the time, it was concluded that the issue should no longer be pursued until the then Constitutional Treaty (subsequently Lisbon Treaty) would be in force. Following the entry into force of the Lisbon Treaty, EU accession to these Conventions may*

*be revisited, although no Commission decision has been taken in this respect, nor discussion taken place on this in Council or Parliament. It would require in any event a thorough assessment of the impact (political, legal etc.) of such accessions. On the EU participation to the Council of Europe Group of States against Corruption (GRECO): The Commission has set out its position on the EU participation in GRECO in 2012. Still, EU participation in GRECO is blocked on a legal basis divergence between the Commission and the Council. The Commission's interpretation is that accession to GRECO would be possible only on the basis of Art. 220 TFEU - the Treaty article on cooperation with international organisations. This legal basis is however rejected unanimously by the Council, insisting on full EU membership based on Art. 218 TFEU (the Treaty article on the conclusion of agreements with international organisations). The Commission has been in touch with the Council of Europe. The GRECO Plenary has expressed its willingness to explore the possibility to pursue ad hoc cooperation pending formal accession.*

41. (§ 112 - 2014/PAR/0278) The European Parliament calls on the Commission to assume full responsibility for the recovery of funds unduly paid into the Union's budget and to establish uniform reporting principles in all Member States with a view to ensuring comparable, reliable and adequate data collection.

**Commission's response:**

*Done - the Commission has always taken responsibility for the protection of the EU budget by putting in place the appropriate controls, both preventive and corrective. These controls are tailored to fit the relevant policy areas, in compliance with the underlying legislation. The explanation and results of these activities are detailed each year in both the Communication on the protection of the EU budget and the Annual Management and Performance Report.*

42. (§ 113 - 2014/PAR/0279) The European Parliament calls on the Commission to clarify the relations between Eurojust, the European Public Prosecutor's Office (EPPO) and European Anti-Fraud Office (OLAF) and to examine the possibility of a stronger integrated approach of these agencies in order to make investigations more effective (reference made to COM(2013)0534 - 2013/0255(APP), point 29).

**Commission's response:**

*The relations between the EPPO and OLAF and between the EPPO and Eurojust are addressed in the provisions of the EPPO Regulation submitted to the JHA Council on 9 June, and which received "broad conceptual support". The Commission supports those provisions, based on close cooperation and on the complementarity of the respective mandates and competences of the three bodies. Such an approach would ensure a high level of protection of the EU's financial interests.*



43. (§ 114 - 2014/PAR/0280) The European Parliament urges the Commission, however, to take into account the recommendations both of the European Ombudsman concerning the composition of the expert groups and of the study 'Composition of the Commission's expert groups and the status of the register of expert groups' when drafting amendments to the current horizontal rules governing expert groups, in order to create a more systematic and transparent approach; requests that the Commission engage in a dialogue with Parliament before the rules are formally adopted, especially in relation to the upcoming report of the Committee on Budgetary Control and the Committee on Legal Affairs on this matter.

**Commission's response:**

*The new framework for Commission expert groups is close to the Ombudsman's approach, but not identical. See also reply to 2014/PAR/0241.*

44. (§ 115 - 2014/PAR/0281) The European Parliament calls on the Commission to take appropriate measures and on OLAF to continue to support the Member States in improving their performance in the prevention and detection of fraud against European funds.

**Commission's response:**

*The Commission and OLAF cooperate closely with the Member States in order to improve their ability to identify and prevent fraud against Union funds, by providing them with practical tools to recognise red flags and equipping them with IT tools, e.g. the Irregularity Management System and ARACHNE. OLAF shares good practices in fraud prevention, detection, and investigation in regular fora and develops, together with Member States experts, practical guidance documents in this respect. In 2015 for example, two practical documents were prepared, one for funds managers regarding 'conflicts of interests' and a second one on the 'national anti-fraud strategies'. A third document concerning the role of auditors in preventing and detecting fraud was presented in the framework of the annual coordination meetings with the ESIF audit authorities during 2015. From 2017, the Commission will make the Irregularity Management System also available for the purpose of transmission of information related to risks threatening the EU financial interests by entities implementing the budget under shared management.*

*Based on its investigative experience, OLAF conducts comprehensive trainings for Member States authorities regarding fraud prevention, risk assessment and analysis of irregularities and suspected fraud. For example, over the past two years OLAF chaired or participated in workshops on fraud prevention and detection in seminars organised by DG REGIO in 12 different locations covering 14 Member States. In the last quarter of 2015, OLAF provided training on fraud prevention to competent authorities of all Member States in the framework of training seminars on the updated system of the Irregularity Management System.*

45. (§ 116 - 2014/PAR/0282) The European Parliament Invites the Commission to develop a system of strict indicators and uniform criteria; s concerned about the reliability and quality of data coming from the Member States; calls on the Commission, therefore, to work closely with Member States to guarantee comprehensive, exact and reliable data keeping in mind the goal of full implementation of the Single Audit Scheme.

**Commission's response:**

***The Commission has already replied in the context of the follow-up given by the Commission on the EP Resolution for the Protection of the Financial Interests of the EU Budget – (SP(2016)349 dated 04/07/2016)”.***

46. (§ 117 - 2014/PAR/0283) The European Parliament reiterates its request that the Commission report biannually to Parliament and to the Council on the implementation by the Union institutions of their internal anti-corruption policies, and is looking forward to reading the next report in early 2016; asks the Commission to add a chapter on the performance of the Union institutions in fighting corruption and is of the opinion that the Commission's future anti-corruption reports should always cover all the Union institutions and bodies.

**Commission's response:**

***Pursuant to COM Decision C(2011) 3673 final of 6.6.2011 "Establishing an EU Anti-corruption reporting mechanism for periodic assessment", the Commission should publish a report every two years assessing anti-corruption efforts in the Member States with a view to fostering political will, helping to step up anti-corruption efforts and reinforcing mutual trust among the Member States. The EU Anti-Corruption Report is a Commission document. As such, it could not be considered a methodologically sound assessment of the Union institutions and their internal anti-corruption policies; this should be achieved through an external and independent assessment However, as a party to UNCAC —the UN Convention Against Corruption— the EU is under an obligation to participate in the UNCAC review mechanism, which will cover both the EU institutions and relevant EU policies and legislations.***

47. (§ 119 - 2014/PAR/0284) The European Parliament calls for switching from a voluntary to a mandatory Union register for all lobbyists performing their activities towards the Commission.

**Commission's response:**

***The proposal for a mandatory Transparency Register based on an Interinstitutional Agreement between European Parliament, the Council of the EU and the European Commission was adopted by the Commission on 28 September 2016.***

48. (§ 121 - 2014/PAR/0285) The European Parliament demands that in its second anti-corruption report, at the latest, the Commission carries out further analysis at the level of both the Union institutions and the Member States of the environment in which policies are implemented, in order to identify inherent critical factors, vulnerable areas and risk factors conducive to corruption.

**Commission's response:**

***Pursuant to COM Decision C(2011) 3673 final of 6.6.2011 "Establishing an EU Anti-corruption reporting mechanism for periodic assessment", the Commission should publish a report every two years assessing anti-corruption efforts in the Member States with a view to fostering political will, helping to step up anti-corruption efforts and reinforcing mutual trust among the Member States. The EU Anti-Corruption Report is a Commission document. As such, it could not be considered a methodologically sound assessment of the Union institutions and their internal anti-corruption policies; this should be achieved through an external and independent assessment. However, as a party to UNCAC —the UN Convention Against Corruption— the EU is under an obligation to participate in the UNCAC review mechanism, which will cover both the EU institutions and relevant EU policies and legislations.***

49. (§ 122 - 2014/PAR/0286) The European Parliament calls upon the Commission to fulfil without delay its reporting obligations under the UN Convention against Corruption.

**Commission's response:**

***The EU is a party to UNCAC —the UN Convention Against Corruption. The Commission will therefore take the necessary steps for the EU to participate in the UNCAC review mechanism, and notably a self-assessment.***

50. (§ 126 - 2014/PAR/0287) The European Parliament asks the Commission to evaluate switching from a reimbursement scheme to an entitlement scheme where appropriate, as a means of simplification.

**Commission's response:**

*The Commission always assesses the possible cost systems which are most adapted to the funding scheme proposed when drafting basic acts and putting in place their implementation framework.*

*The Commission also considers that the potentially negative impact of complicated eligibility rules on the risk of error for reimbursement schemes is significantly mitigated when simplified cost options (SCOs) are used and has already invested significant efforts to expand the use of SCOs in cohesion policy and notably the ESF. The Commission will also continue to support Member States' efforts in this context.*

*In parallel the Commission launched an important exercise on simplification whose results will be addressed in the framework of the "omnibus regulation" and the revision of the Financial Regulation, the use of simplified forms of grants (unit costs, lump sums, flat rates) is facilitated by: 1) lowering of the level of authorisation (from the Commission to the Authorising officer), 2) by allowing for the use of expert judgement when setting-up unit costs in case where sufficient data are missing, 3) by expressly providing the possibility to use a lump sum covering an entire action ("single lump sum"). In addition, a new category of Union contribution is added as an option where the financing is not linked to costs of the relevant operations but rather based either:*

*i) on the fulfilment of certain conditions ex ante as set out in the basic act [or Commission Decisions], and/or*

*ii) on the achievement of results measured through performance indicators.*

*The proposals above (increased use of SCOs, single lump sums and new contributions) will offer the possibility to all policy areas to switch from a reimbursement scheme to a real "entitlement scheme", where appropriate, as a means of simplification. Entitlements programmes already exist today in direct aid to farmers, budget support in the area of external aid or certain student and research fellowships.*

**Evaluation and analysis of the main results of 2014 Union budget**

51. (§ 129 - 2014/PAR/0288) The European Parliament requests that identifying the real effects of the Union budget utilisation on Union macroeconomic indicators becomes a subject of discharge procedures.

**Commission's response:**

*The new Annual Management and Performance Report, being one of the reports contributing to the annual budgetary discharge process, presents evidence available on the results achieved with the EU budget. It includes a summary*

*account of progress on Europe 2020 headline targets and relevant indicators and covers both the implementation of the 2014-2020 programmes and the results from the 2007-2013 programmes.*

*At the same time, detailed and comprehensive reporting on Member States' performance towards their national Europe 2020 strategy targets takes place in the context of the Country Reports of the European Semester, as well as in the yearly updates on the Europe 2020 main indicators published by Eurostat.*

52. (§ 132 - 2014/PAR/0289) The European Parliament calls upon the Commission to consider in its budgetary and financial management the capacity constraints in some Member States, in order to avoid the under-utilisation of funds and to increase the absorption rates, especially in the area of the ESIFs.

**Commission's response:**

*The Commission refers to its reply provided on recommendation 2014/PAR/0263.*

53. (§ 133 - 2014/PAR/0290) The European Parliament requests that the Commission take measures to reduce outstanding commitments, including a timely closure of the 2007-2013 programmes and a reduction of cash held by fiduciaries.

**Commission's response:**

*For Cohesion Policy, the outstanding commitments for the period 2007-2013 decreased in 2014, thus making the end of an upward trend observed until end 2013. It could have been reduced even more if the Commission's ability to honour payment claims received late in the year had not been limited by the lack of payment appropriations. The decrease of outstanding commitments in 2014 is due to the high level of payments made for the 2007-2013 programmes coming towards the end of their eligibility period.*

*See also the Commission reply to recommendation 2014/PAR/0263 regarding actions performed by the Task force for Better Implementation.*

*On the reduction of cash held by fiduciaries, in the 2014-2020 programming period each application for interim payment for financial instruments submitted during the eligibility period shall not exceed 25 % of the total amount of the programme contribution committed to the financial instrument. Subsequent payments are made only when the majority of the previous payments have reached final recipients (such as SMEs). Oversizing and low disbursement rates of financial instruments should therefore be less common also due to the obligatory ex-ante assessment for financial instruments, which will aim at identifying market failures and propose solutions to address them.*

54. (§ 135 - 2014/PAR/0291) The European Parliament urges the Commission to come up with a proposal to revise the MFF regulation in order to fix, among other matters, the RAL.

**Commission's response:**

*The issue of RAL has to be separated from the issue of an abnormal backlog resulting from a lack of payment appropriations.*

*The existence of RAL is unavoidable in the budgetary system with differentiated implementation of commitments (where RAL represents simply the stock of on-going projects) but an orderly progression between the appropriations in commitments and payments needs to be ensure.*

*Backlog represents the amount of outstanding bills at the end of the year. The difficulties of 2014 and 2015 with an abnormal backlog at the end of the year were addressed in the Payment plan proposed by the Commission and agreed by the Council and the EP. The abnormal backlog will disappear at the end of 2016.*

*As regards the future evolution of RAL, the Commission has presented a payment forecast assessing the sustainability of the current ceilings and including the estimate of de-commitments and the evolution of RAL until the end of the current MFF in the framework of the mid-term review of the MFF.*

**Revenue**

55. (§ 144 - 2014/PAR/0292) The European Parliament calls therefore on the Commission to declare that GNI data submitted by Member States are reliable and their contributions therefore correct.

**Commission's response:**

*Each year, the GNI Committee, composed of the Member States and chaired by the Commission, issues an opinion on the appropriateness of GNI data for own resources purposes with respect to reliability, comparability and exhaustiveness. As usual, this opinion was favourable in 2014.*

56. (§ 147 - 2014/PAR/0293) The European Parliament asks the Commission to propose legislative amendments enabling effective cross-checks between customs and tax data and to focus its monitoring of Member States on improving the timeliness of their replies to information requests and the reliability of the VAT Information Exchange System.

**Commission's response:**

*The Commission issued a VAT action plan in April 2016 that announced measures to tackle the VAT gap, inter alia conducting monitoring visits in 2017.*

*Concerning the effective cross checks between customs and tax data, reference is made to the comment on §114 of the ECA's Special report 24/2015 and the Commission's reply.*

57. (§ 148 - 2014/PAR/0294) The European Parliament asks the Commission to provide analysis regarding the future of Union funding evaluating the adequacy of the own resource base.

**Commission's response:**

*As part of the agreement on the 2014-2020 Multiannual Financial Framework, a High Level Group on Own Resources (HLGOR) was established in order to further the reflections on possible reforms of the financing of the EU budget. According to a joint declaration, the system of own resources should be simple, transparent and subject to democratic accountability. The Commission appointed three members to participate in the HLGOR (FVP Timmermans, VP Georgieva, Commissioner Moscovici) and they are actively involved in the ongoing work. While they are not formally representing the Commission in order to allow for an independent, forward-looking debate, the three Commission members will ensure that the reflections and the final report and recommendations of the HLGOR will feed into the subsequent Commission deliberations in a consistent and coherent manner.*

*The debates and analyses comprise evaluation of the present system, including the GNI- and VAT-based own resources as well as the assessment of alternative financing sources.*

*An external study on the potential and the limitations of reforming the financing of the EU Budget has been commissioned. It will inform the work of the HLGOR. The final report of the HLGOR is expected by the end of 2016. The Commission will take it into account when assessing whether legislative initiatives are appropriate in a post-2020 perspective.*

58. (§ 151 (b) - 2014/PAR/0295) The European Parliament points out that changes resulting from the work on reservations would have been mitigated if the Commission's verification cycle had been shorter and recalls that the Parliament urged the Commission in its resolution of 29 April 2015 concerning discharge for the financial year 2013:

(b) to limit the use of general reservations to exceptional cases

**Commission's response:**

*The Commission accepts the recommendation.*

*The target for the completion of the next verification cycle is under 4 years, i.e. by end 2019. An annex to the Memorandum of Understanding between DG Budget and Eurostat was signed in April 2013 with a view to reducing significantly the number of general reservations.*

59. (§ 154 (a) and § 151 (a) - 2014/PAR/0296) The European Parliament asks the Commission to take measures to reduce the number of years covered by reservations at the end of next verification cycle for GNI-based contributions.

**Commission's response:**

*The Commission accepts the recommendation.*

*The verification cycle will be shortened and reservations will be set and addressed at an earlier stage (in the course of the verification cycle).*

60. (§ 154 (b) - 2014/PAR/0297) The European Parliament asks the Commission to put in place the arrangements needed to reduce the impact of revisions of methods and sources presented by Member States for the compilation of their GNI.

**Commission's response:**

*The Commission accepts the recommendation.*

*In the current verification cycle (2016-9), which will be shorter than previously, reservations will be set earlier in the process, with a shorter deadline. Thus, the number of years covered by them will be fewer. The procedures, including the timetable, can be found in the following CIRCABC library: "CIRCABC > Eurostat > Monitoring GNI for own resource purposes > Library > GNI Committee meetings > ESA 2010 control cycle framework documents.*

*<https://circabc.europa.eu/faces/jsp/extension/wai/navigation/container.jsp>*

61. (§ 154 (c) - 2014/PAR/0298) The European Parliament asks the Commission to improve the existing guidance given to Member States' customs authorities as to the checks they make (in particular the post clearance audits).



**Commission's response:**

*The Commission has updated – in close cooperation with Member States experts – the Audit guide for customs' post clearance audits. Additionally, within the framework of the EU Strategy and Action Plan for customs risk management the Commission is addressing further the Court's observations by establishing legally binding financial risk criteria.*

62. (§ 154 (d) - 2014/PAR/0299) The European Parliament asks the Commission to ensure that Member states have the appropriate systems in place for preparing and managing their statements of customs duties and sugar levies.

**Commission's response:**

*In the course of its inspections of traditional own resources the Commission regularly ensures that Member States have appropriate systems in place for preparing and managing their statements of customs duties and sugar levies, and it will continue to do so.*

63. (§ 154 (e) - 2014/PAR/0300) The European Parliament asks the Commission to extend the risk assessment capacity of Eurofisc to cover the VIES system (transnational VAT information exchange system).

**Commission's response:**

*The Commission is following up on the May 25 ECOFIN conclusions and providing the IT and financial support to Eurofisc in this field.*

**Competitiveness for growth and jobs**

64. (§ 162 - 2014/PAR/0301) The European Parliament Is pleased that the Commission was able to meet most targets of the key performance indicators (KPI); doubts however, that the target of investing, by 2020, 3 % of the Union GDP in research and development can be met; calls on all Member States to rise to the challenge; notes that the situation seems to be particularly difficult for Croatia, Finland, Luxembourg Portugal, Romania, Spain and Sweden; calls upon the Commission to draw the necessary conclusion for the forthcoming mid-term revision of the MFF to be presented by the end of 2016.

**Commission's response:**

*The Commission continues to follow up the performance of Member states in meeting their targets, most notably in the European Semester process. In its*

*communication on the mid-term review/revision of the MFF, the Commission proposed to further boost growth and jobs via more money for highly performing programmes, including Horizon 2020.*

65. (§ 168 - 2014/PAR/0302) The European Parliament calls on the Commission to take more incisive measures to ensure that external audit certificates more accurately reflect the error rate.

**Commission's response:**

*The Commission has already addressed this request as follows:*

*First, the Commission has sent a letter to all beneficiaries of the Horizon 2020 and FP7 asking them to pay special attention to the 10 most common errors that the Commission has identified from its own audits or from those of the Court of Auditors.*

*In the same spirit, the Common Audit Service for H2020 sometimes encounters cases of errors which should have been prevented by certification. When the errors encountered exceed 2% of the financial statement, the certifying auditor is informed of the shortcomings.*

*Second, the Commission continues providing advice and information related to the legal aspects of the Framework programmes to all the beneficiaries – and their certifying auditors - that are addressing specific questions associated with their particular projects they are handling.*

*The Commission has organized a series of meetings targeting beneficiaries and independent certifying auditors (>300) to raise awareness of the most common errors. In addition, feedback has been provided to certifying auditors who have made errors, and a clearer template for audit certificates has been provided in Horizon 2020.*

*The Commission will continue to provide guidance to its auditors, and to work on further improvements in the overall process.*

*In addition, the Commission is currently providing ad-hoc training to staff on the most relevant findings reported by the Court of Auditors.*

66. (§ 182 - 2014/PAR/0303) The European Parliament deplores the recent press reports casting doubt on DG RTD's ability to protect the financial interests of the Union in an effective manner; calls on the Commission to clarify the circumstances that have been well documented in the media and point to a clear case of maladministration and unequivocal damage to the Union's financial interests and reputation.

**Commission's response:**

*The Commission has already supplied detailed documents and explanations to the European Parliament on the cases mentioned in the media. The Commission considers that it protects the financial interests of the Union effectively, and has done so in the cases raised.*

*The Commission is ready to provide additional information to Parliament on any topic of their interest within the terms of the established inter institutional procedures.*

67. (§ 188 - 2014/PAR/0304) The European Parliament asks the Commission to transmit to the Parliament the action plan presented to the ITER Council in November.

**Commission's response:**

*The Commission accepts the request with the following clarification. The schedule presented by the IO Director General at the ITER Council in November 2015 was not accepted by the ITER Council. The Commission has already transmitted to the EP (to the Chair of the Committee on Budgetary Control and to the Chair of the Committee on Industry, Research and Energy) the report of “the ITER Working Group on the Independent Review of the Update Long-Term Schedule and Human Resources” with an information note on the outcome of the Extraordinary ITER Council meeting that defines the path to the establishment on the new ITER Baseline. Therefore no further action is considered necessary on this request.*

68. (§ 189 - 2014/PAR/0305) The European Parliament insists to receive from the Commission, by June 2016, an update on a long term project schedule and associated costs for ITER in preparation of budgetary decisions for the following year; recalls that for 2016 payment appropriation at a level of almost EUR 475 million have been set aside for ITER.

**Commission's response:**

*The Commission accepts the request. Following the meeting of the ITER Council in June 2016, the Commission is preparing information for the EP and Council on the agreed update of the long term schedule, the estimated cost impact and the way to the approval of a new Baseline for the ITER project.*

69. (§ 191 - 2014/PAR/0306) The European Parliament asks the Commission to present information in future discharge procedures about the implementation of the InnovFin which covers the Union budget share taking part in this financial instrument.

**Commission's response:**

*Information on InnovFin is already made available to the public and to the Parliament, including in the discharge procedure.*

*Information regarding the different InnovFin financial instruments is provided to the European Council and the European Parliament during the annual budgetary procedure through the reports foreseen by the Financial Regulation. In line with Article 38(5) of the Financial Regulation, a Working Document part X focuses on quantitative aspects. A qualitative description of the performance of instruments is included in the report “Financial Instruments implementation” according to Article 140(8) of the Financial Regulation.*

*InnovFin is subject to the audit of the European Court of Auditors, who may choose to report on it in their Annual Report. During the discharge process members of the CONT committee may, and have, ask questions about InnovFin.*

70. (§ 195 (a) - 2014/PAR/0307) The European Parliament concludes that the Commission should:

(a) adopt a set of measures to reduce the relatively high error rate in this area, improve data and information management to analyse also very advanced R&D&I projects and test their real impact against the potential of Horizon 2020.

**Commission's response:**

*The Commission continues to work to reduce errors.*

*The errors detected in FP7 impact personnel costs, calculation of overheads and unsubstantiated other costs. Because this is “exacerbated” by the complexity of the FP7 rules for calculating eligible costs, the Commission took several measures in order to mitigate the impact of these errors: communication campaign to remind beneficiaries and their certifying auditors of the eligibility rules, communication to all registered FP7 beneficiaries about the 10 most common errors in cost claims, set up of a help desk and improvement of the Guide to Financial Issues for FP7 explaining the rules of eligibility to eliminate misunderstandings. In addition the Commission services have regular meetings with the National Contact Points which amongst other issues the eligibility of costs including personal costs are regularly dealt with. Furthermore at the end of 2011 the Commission did decide on some simplifications, two of which affected personnel costs: 1) it allowed SME owner-managers to claim costs in accordance with Marie Curie rates and 2) it simplified the rules for the declaration of average personnel costs.*

*Training is being provided to officials in order to improve the effectiveness of ex-ante controls carried out before payments and to raise the awareness on how to detect cases of fraud.*

*Monitoring of the effectiveness and results of Horizon 2020 projects is ongoing, most notably through the Annual Monitoring Report. The impact of Horizon 2020 will be assessed through evaluations.*

*However the Commission does not share the idea that an error rate above 2% is, by definition, 'high'. In making its proposal for Horizon 2020, the Commission informed the budgetary authority (in the financial statement accompanying the proposed legislation) that an error rate below 2% could not be expected. The fact that the error rate for research will not be below 2% has also been underlined several times by DG RTD and its Commissioner in the discharge procedure. In the discharge 2014, to go alongside the criticisms of the error rate, paragraph 177 reads:*

*"[the EP] Remains convinced that the Commission must continue to strive for an acceptable balance between the attractiveness of programmes to participants and the legitimate necessity of accountability and financial control; recalls, in this connection, the statement of the Director General in 2012 that a procedure designed to attain a residual error rate of 2 % under all circumstances is not a viable option".*

*It is expected that the simplifications introduced in Horizon 2020 should lead to a significant reduction in error rate. In its opinion on the Horizon 2020 rules (Opinion 6/2012), the Court considered that "the radically simplified cost-funding model will improve the reliability of the model, decrease the risk of irregularities in beneficiaries' cost claims [and] make project accounting less complex".*

71. (§ 195 (b) - 2014/PAR/0308) The European Parliament concludes that the Commission should:

(b) present a report evaluating the current experience with a new practice to utilise special agencies in this segment from the budgetary point of view as well as to introduce on a regular basis reporting on compliance with the relevant Europe 2020 Strategy indicators.

**Commission's response:**

**A) Evaluation of the current experience .... To utilize special agencies.**

**According to article 25 of the Council Regulation (EC) 58/2003, an external evaluation on the operation of each Executive Agency (EA), has to be drawn up by**

*the Commission every three years and submitted to the steering committee of the EA, to the European Parliament, to the Council and to the Court of Auditors.*

*The 3 years evaluation (mid-2012/mid-2015) related to ERCEA and REA operations have been sent to the European Parliament early this year. The Commission also conducted in 2015 evaluations for the period 2011-2013 of EASME and INEA. These evaluations show the cost savings of Agencies, as well as underlining their satisfactory performance, especially in providing a quality service to participants. Similar evaluations are due to be delivered for EACEA.*

***B) Reporting on compliance with the relevant Europe 2020 Strategy indicators***

*Horizon 2020 has established Key Performance Indicators and other indicators related to cross-cutting issues that will be monitored to assess the results of the programme. The Annual Monitoring Reports will publish information on all the indicators. This monitoring will be complemented by evaluations that will look deeper at the impact of the programmes on the Europe 2020 targets.*

72. (§ 196 - 2014/PAR/0309) The European Parliament calls on the DG RTD to improve information management, especially in line with a performance culture to include all stakeholders, especially new ones, and to improve information management with beneficiaries in Member States; recommends more inclusion of independent auditors focusing not only on errors, but also on the performance cycle, including an appropriate evaluation of risks; additionally, regulatory rules should undergo an impact assessment.

**Commission's response:**

*The performance framework is being completed for Horizon 2020 and will become more and more obvious as the results of projects arrive.*

*Information on the rules, and on performance, is being disseminated widely to all stakeholders. Any regulatory rules will undergo an impact assessment.*

73. (§ 197 - 2014/PAR/0310) The European Parliament calls on DG RTD to publish, in its respective annual activity reports, its contribution to the CSR in a comprehensive and detailed way, as these recommendations should demonstrate how the DG facilitates Member States' progress towards the EU 2020 Strategy objectives.

**Commission's response:**

*In accordance with Article 66.9 of the FR, the Annual Activity Report (AAR) should contain financial and management information in relation to the operations performed by the AOD as well as the assessment of the extent to which the operational expenditure made has contributed to the policy achievements and*

*generated EU added value. Therefore, the AAR is not to report on the DGs contribution to the Country Specific Recommendations in the European Semester. Nevertheless, DG RTD's AAR for 2015 did provide more information on the steps taken by RTD in the European Semester process (see AAR section 1.1.3 on pages 21-22), and this will be maintained for 2016.'*

74. (§ 198 - 2014/PAR/0311) The European Parliament notes that the Commission launched a stakeholder consultation on additional simplifications that should be introduced in Horizon 2020; requests information on how additional simplifications will be implemented.

**Commission's response:**

*The results of the stakeholder consultation (final report on the online survey) are publicly available at [http://ec.europa.eu/research/participants/data/ref/h2020/other/events/survey/h2020\\_simplification-survey\\_final-report\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/other/events/survey/h2020_simplification-survey_final-report_en.pdf). The feedback shows that participants in Horizon 2020 appreciate the simplification that was introduced in the programme, including in particular the general funding model, the single flat rate for indirect costs, the acceleration of granting processes and the Participant Portal as the one-stop shop for the electronic-only grant management. The suggestions by stakeholders for further improvements concern the details of implementation rather than fundamental changes to the legal basis.*

*Based on the feedback, the following additional simplification measures are currently under consideration:*

- Extended use, where appropriate of two-stage proposal evaluation, for mitigating the effects of oversubscription;*
- A change to the Horizon 2020 model grant agreement related to calculation of personnel cost hourly rates for parts of reporting periods outside closed financial years;*
- A further simplification of the template for time-recording and the related guidance in the annotations of the model grant agreement;*
- Clarifications in the annotations to the model grant agreement on the eligibility of costs related to internally produced consumables;*
- Continuous improvements to the Participant Portal, based on systematic collection of user feedback.*

75. (§ 199 - 2014/PAR/0312) The European Parliament calls therefore on the Commission to revise the annotations and allow internally invoiced costs to be eligible as other direct costs without splitting into cost categories and without time records for services.

**Commission's response:**

*The Horizon 2020 Rules for Participation set up the general funding rate at 100% of the direct costs plus a flat rate of 25% providing a contribution to the indirect costs. Internal invoices include cost elements which qualify as indirect costs under the H2020 rules, and for which the EU budget already provides funding via the 25 % flat-rate. Accepting unconditionally internal invoices, i.e. without fulfilling the criteria applicable to direct costs, would lead to a risk of financing twice the same costs. Such situation would be a breach of the provisions of the Financial Regulation and also incompatible with the H2020 Rules for Participation.*

*Nevertheless, while underlining that there are, at present, no proposals to change the provisions, the Commission is currently assessing, in collaboration with research organizations, possible means to further simplify the declaration of costs that might be determined via internal invoices. Such further simplification can however only be designed in a manner compatible with the applicable rules. Horizon 2020 grants, like any other EU grant, must fulfil the principles set up in the Financial Regulation, notably the principle of co-financing (Article 125 FR) and the principle of non-cumulative award (Article 129 FR). With the funding intensity of 100 % of the direct costs plus the flat rate to contribute to the indirect costs set up in the H2020 Rules the margin of manoeuvre for the Commission on this subject is very limited.*

**Economic, social and territorial cohesion**

76. (§ 205 - 2014/PAR/0313) The European Parliament notes that in the area of regional and urban policy, the four most important KPI include: number of jobs created, number of enterprises cooperating with supported research institutions, number of enterprises receiving support, and additional capacity for renewable energy production; whereas global achievements reported in Member States' implementation reports progressed on average by 29 % compared to the previous year, not all targets will be met due to the economic crisis, according to the Commission; calls upon the Commission to draw the necessary conclusion for the forthcoming mid-term revision of the MFF to be presented by the end of 2016.

**Commission's response:**

*The Commission notes that the KPI referred to in the recommendation of the European Parliament are the ones reported in the 2014 Annual Activity Report of DG Regional and Urban Policy regarding the global achievements of operational programmes under 2007-2013 programming period. In its 2015 AAR, DG Regional and Urban Policy reported updated figures which show a further progress of 31% on average compared to previous year. Where targets are set, they have been met or exceeded for 2 KPI (respectively number of enterprises receiving support and number of enterprises cooperating with supported research*



*institutions). Regarding job creation, the updated value reported represents 72% of the target initially set. While some of the related policy targets might not be met in all Member States – largely due to the economic crisis – the final level of achievement is projected to be very close to the set targets. In addition, it should also be considered that the last year of implementation on the ground for 2007-2013 programmes is 2015. Considering that the reported achievements values are in most cases referred to the year 2014, the policy will continue to produce results for at least one full year of implementation.*

*The 2007-2013 programmes are now in their closure phase and the final picture on reported achievements of the KPIs will be known after closure reporting by the Member States in March 2017. The MFF review relates to the period 2014-2020 and not specifically to the implementation (or closure) of the period 2007-2013. As regards to the implementation of the 2014-2020 programmes, the Commission will present to the EU institutions a first Summary Report on the implementation in 2014-2015 of the programmes financed by the European Structural and Investment Funds 2014-2020 in December 2016. The Parliament will then have the opportunity to examine implementation.*

77. (§ 219 - 2014/PAR/0314) The European Parliament calls on the Commission to create an effective tool to contribute to the improvement of the reliability of controlling and auditing activities provided by the national authorities.

**Commission's response:**

*The Commission puts continuous effort to improve the work of the national authorities under shared management. The following actions were performed in the last year and will continue to be performed:*

*Concerning audit authorities*

*Capacity building actions at the level of audit authorities, but also managing and certifying authorities are also carried out, which contribute to preventing and correcting errors and therefore contribute to the assurance process: there is a structured cooperation with audit authorities on methodology and reported audit results through multilateral and bilateral meetings. Also, multilateral meetings included three technical meetings in Brussels in 2015, covering the discussion on various guidance notes and methodological issues for the period 2014-2020. The Homologues Group annual meeting of European Auditors for ESI Funds in Riga in September 2015 covered issues linked mainly to the closure of the 2007-2013 programming period.*

*The annual bilateral audit coordination meetings with audit authorities of each Member State are an opportunity to review the specific issues raised in the assessment of Annual Control Reports and Annual Opinions, implementation of the agreed audit strategies as well as national audit results. They are also a place*

*to exchange information on planned audit work and respective updated risk assessments.*

*Guidance for Member States is continuously improved and discussed with audit authorities. Five new guidance notes for 2014-2020 were discussed with Member States in technical and formal fora and issued in 2015. As at 15 February 2016, all guidance notes which were decided to provide for the launching of the programming period 2014-2020 have been already published. The Commission analyses in a constant manner the new needs of guidance and to update the existing ones.*

*In the framework of the structured multilateral and bilateral meetings with audit authorities, general and specific audit issues or issues of common interest are debated extensively between the Commission and the audit authorities with a view to strengthening the audit community for ESI programmes.*

*In the first semester of 2016, the Directorate-General has organised the following capacity- building actions for the benefit of audit authorities:*

- Providing detailed feedback to the audit authorities based on the assessment of the 2015 Annual Control Reports for better understanding of the main weaknesses identified and dissemination of good practices both in writing and in annual bilateral audit coordination meetings organised between March and July.*
- Delivering a workshop on ETC sampling on 22 January for audit authorities*
- Organising a technical meeting with all these authorities on 16 June, focusing among other aspects on the shared audit services agreement between REGIO and EMPL, the 2015 Annual Activity Report, the revised guidance on sampling (allowing for the calculation of representative projected error rates and for conclusive and reliable audit results), the designation experience from an audit authority (Greece) and simplification (feedback from the High Level Group, audit of simplified cost options).*
- Participating in several seminars on management and control issues addressed to national authorities, such as: seminar held in Barcelona on 15 March focusing on the annual accounts for the period 2014-2020, organized by Interact; audit workshop to German audit authorities held in Berlin on 13-14 April 2016; seminar held in Barcelona on 20 April, organized by EIPA; eight trainings from the module “Management and Control; Management Verifications were held on 17-18 May in REGIO's premises, organized by REGIO E1 and the consortium EIPA/Ecorys/E&Y (in total 252 representatives from 26 Member States were trained on this topic between 2014 and 2016, see also next section); seminar held in Budapest on 22-23 June focusing on closure 2007-2013 and designation 2014-2020, organized by Interact*
- Continuing to provide guidance and training and exchange experience for the audit of specific and complex issues such as for example public procurement, State Aid, financial instruments or new issues for 2014-2020 such as audit of*

*performance indicators, audit on programme accounts, e-cohesion etc. The audit authorities have also been encouraged to use the TAIEX REGIO PEER 2 PEER expert exchange system set-up by the Directorate-General to exchange best practices (see also next section).*

#### *Concerning managing and certifying authorities*

*DG Regional and Urban Policy also contributes, in close cooperation with DG Employment, Inclusion and Social Affairs, to many capacity building actions for the benefit of managing and certifying authorities, to help address deficiencies detected through audits or to prevent such deficiencies. In this framework, several initiatives took place in 2015 and 2016, including dedicated meetings, workshops or targeted actions related to various areas.*

*These initiatives focused mainly on the most problematic areas for Cohesion policy. In this respect, specific action plans on public procurement and state aid have continued to be implemented in close coordination between relevant Commission services. The action plans include stock-taking of good practices, studies, seminars, trainings and specific support to Member States that do not fulfil the ex-ante conditionalities on public procurement and state aid.*

*Furthermore, following a demand/supply analysis among authorities implementing the funds a new tool for exchange of expertise between authorities managing the programmes 'TAIEX REGIO PEER 2 PEER' is continuously offered to managing and certifying authorities. The tool helps to organise short term study visits, expert missions and workshops between peer institutions. Taking into account the overwhelmingly positive feedback from the evaluation of this pilot project, the REGIO board of directors decided to prolong this instrument until 2020.*

*In addition to this, the potential for establishing a REGIO Community of Practitioners for managing authorities (parallel to the Homologues Group) is tested and developed. First meeting of this network (focusing on state aid and support to beneficiaries) will be organised in the framework of the European Week for Regions and Cities on 13 October 2016.*

*In the framework of the State Aid Action Plan country specific seminars were organised in HR, CZ (for CZ and SK), RO and BG. In 2016 two thematic seminars (State Aid in Research, Development and Innovation projects co-financed from the European Structural and Investment Funds and State Aid in Energy Projects: [http://ec.europa.eu/regional\\_policy/index.cfm/en/conferences/state-aid/rdi/](http://ec.europa.eu/regional_policy/index.cfm/en/conferences/state-aid/rdi/)) were organised.*

*They will be followed in September 2016 by a seminar on Regional aid and state aid for SMEs and one in November on Transport.*

*Three initiatives under the framework of the Public Procurement Action Plan developed jointly with GROW, other ESIF DGs and EIB in order to prevent*

*irregularities and reduce the error rate related to public procurement) were implemented:*

- a stock-taking study on administrative capacity in the field of public procurement with country-specific information and recommendations;*
- a guide to support public officials across the EU to avoid the most frequent errors and adopt best practices;*
- two pilot projects in cooperation with OECD where support is given to BG and SK for their implementation of their action plan on public procurement (especially with regard to training).*

*To further help Member States to prevent fraud and corruption 13 anti-fraud and anti-corruption conferences/workshops in different Member States (together with OLAF, HOME, GROW, ESIF DGs and in co-operation with Transparency International).were organized between 2014-2015.*

*Another initiative aimed at preventing fraud and corruption are the Integrity Pacts. 17 Pilot Pacts were established in 11 Member States in cooperation with Transparency International to help governments, businesses and civil society to make procurement procedures more transparent and efficient and reduce the risk of fraud and corruption. An Integrity Pact is an agreement between a contracting authority and economic operators bidding for public contracts that they will abstain from corrupt practices and will conduct a transparent procurement process. To ensure accountability and legitimacy, a civil society organisation will monitor that all parties comply with their commitments.*

*A training programme for managing, certifying and audit authorities and intermediate bodies on the implementation of the new Regulation have continued to be implemented, including a specific module on “Management and Control; Management Verifications”. This module attracted high interest from Member State experts, 6 modules of 2 day trainings were organized with on average 35 participants per module from different Member States and working with ERDF, ESF and CF. Trainings were given by European Institute for Public Administration and participation from REGIO and EMPL experts for Q&A sessions.*

*In 2015, DG Regional and Urban Policy and DG Employment, Inclusion and Social Affairs Audit Directorates promoted also actively the use by responsible national authorities of the Arachne tool, a preventive risk-scoring tool developed by the Commission.*

*Following many requests a training programme organized by REGIO E1 and the consortium EIPA/Ecorys/E&Y for managing, certifying and audit authorities and intermediate bodies*

*(module “Management and Control; Management Verifications” is mentioned under initiatives concerning audit authorities) will be prolonged.*

*In 2nd half of 2016 a new (fourth) module providing customised knowledge on application of the State aid rules in the management and implementation of ESI funds will be rolled out. This module will be developed jointly with DG EMPL and COMP. All training materials and podcasts are accessible on-line for further use: [http://ec.europa.eu/regional\\_policy/en/information/legislation/guidance/training/](http://ec.europa.eu/regional_policy/en/information/legislation/guidance/training/).*

*More information about capacity building initiatives developed by REGIO for managing, certifying and audit authorities can be found here: [http://ec.europa.eu/regional\\_policy/pl/policy/how/improving-investment/](http://ec.europa.eu/regional_policy/pl/policy/how/improving-investment/).*

78. (§ 221 - 2014/PAR/0315) The European Parliament calls on the Commission to provide the Member States with stronger incentives to boost the use of innovative financial instruments in their regional policy, while taking into consideration lessons learnt from the period 2007-2013 in order to avoid blocking funds in financial instruments.

**Commission's response:**

*The Commission strongly encourages Member States, regional and local authorities to make wide use of financial instruments in key investment areas such as SME-support, energy efficiency, information and communication technology, transport and support to research and development, but also in other thematic objectives where there is a possibility to finance potentially viable projects that do get enough funding from market sources. The enhanced use of financial instruments is also part of the Investment Plan for Europe. With this regard, the Commission has issued a brochure providing guidance on the possibilities to combine ESIF resources with support provided under the European Fund for Strategic Investments (EFSI).*

*For the period 2014-2020 it is estimated that around EUR 21 billion of ERDF, ESF and CF will be devoted to financial instruments. This is twice the amount of contributions paid to financial instruments as reported by the end of 2014 for the previous period. This confirms the broad recognition of the benefits of financial instruments among the Member States, in particular in a context of budgetary and fiscal constraints.*

*The CPR allows for the launch of joint instruments pooling ESIF resources and contributions from EU centrally managed financial instruments. The SMEI is the first joint instrument of its kind blending funds available from ESIF, EU budget, EIF and EIB. Its scope is defined in Article 39 of the CPR and it consists of an uncapped guarantee to financial intermediaries on portfolios of SMEs and securitisation financial instruments.*

*The CPR also introduces more flexible co-financing modalities and additional financial incentives:*

• *For contributions to an EU-level financial instrument under Commission management, a separate priority axis may be envisaged in the OP. For the SME initiative there is a single dedicated national programme per fund. This priority axis or national programme may benefit from a co-financing rate of up to 100 %.*

• *For contributions to national, regional, transnational or cross-border financial instruments, the EU co-financing rate will be increased by ten percentage points in cases where a priority axis is fully implemented through financial instruments.*

*The Commission has also made available five standardised instruments (off-the-shelf), for which the terms and conditions are pre-defined and laid down in a Commission Implementing Act. These instruments, ready-to-use, allow for a swift roll-out and are State Aid compliant from the onset.*

*The Commission provides also assistance and advisory services to the programmes and other stakeholders on the use of financial instruments. A dedicated technical advisory platform (fi-compass) was established early in 2015 in partnership of the four European Structural and Investment Funds DGs with the EIB. Fi-compass is designed to support ESIF managing authorities, Employment and Social Innovation (EaSI) microfinance providers and other interested parties, by providing practical know-how and learning tools on financial instruments. These will include “how-to” manuals, factsheets for quick reference, e-learning modules, face-to-face training seminars and networking events for the exchange of good practice and networking across Member States.*

*The Commission has already considered the lessons learnt from the period 2007-2013 in order to avoid blocking funds in financial instruments in the 2014-2020 rules on phased payments:*

*According to Article 41(1) CPR, each application for interim payment submitted during the eligibility period may not exceed 25 % of the total amount of programme contributions committed to the financial instrument under the relevant funding agreement. Second, third and subsequent payments are made when certain spending thresholds relating to previous payments are reached. In addition, the legal framework includes a mandatory incentive-based methodology for management costs and fees which encourages spending at the level of the real economy.*

79. (§ 225 - 2014/PAR/0316) The European Parliament asks for the necessary full transparency on the financing of infrastructural projects, including publication of ex ante and ex post assessments of the economic, environmental and social sustainability of projects.

**Commission's response:**

*The EU legislation already endeavours that economic, environmental and social aspects are duly taken into account before EU funding is granted to any project.*

*Even if the main responsibility for publishing this information lies at Member States level, the EU legislation established appropriate provisions to ensure that necessary information is provided to the public. For example, the Environmental Impact Assessment (EIA) Directive (2011/92/EU) requires that the public is informed and entitled to express comments and opinions within the environmental impact assessment procedure. The results of consultations are taken into consideration in the development consent procedure and the decision to grant or refuse development consent shall be available to the public.*

*According to Article 7.2.c of the TEN-T Guidelines (Regulation 1315/2013), a project of common interest must "be economically viable on the basis of a socio-economic cost-benefit analysis". Similarly, major projects benefiting from financial support of the European Regional Development Fund or of the Cohesion Fund shall be subject to a cost-benefit analysis.*

*Cost-benefit analyses are used as input to the decision process. These documents are often subject to modifications and are of very technical nature. For these reasons, the Commission does not consider that requiring the publication of these documents would increase transparency about the financing of infrastructure projects. Besides, in all cases, all documents transmitted to the Commission are subject to Regulation 1049/2001 regarding public access to European Parliament, Council and Commission documents.*

*On top of these requirements concerning individual projects, other requirements exist to assess the cumulative impacts of projects. In this respect, the Strategic Environmental Assessment (SEA) Directive (2001/42/EC) requires that certain plans/ programmes are subject to an environmental assessment and consultations with the public and environmental authorities.*

*Furthermore, ex ante assessments of individual Operational Programmes are published including the findings of their SEAs.*

*In terms of reporting, every year Member States are required to submit to the Commission annual reports on implementation of operational programmes, including any issues which affect the performance of the operational programmes and the measures taken.*

*Additional progress reports in 2017 and 2019 will report on the implementation of the Partnership Agreements and report inter alia on changes in development needs and progress made towards achievement of the Union strategy for smart, sustainable and inclusive growth. An ex post evaluation which will be carried out and published by the Commission will examine the effectiveness and efficiency of the ESI funds and their contribution to the afore-mentioned Union strategy.*

*The CEF Regulation (Regulation 1316/2013 - article 27) foresees a mid-term and ex-post evaluation that comes on top of the ex-ante assessment. All these documents cover economic, environmental and social aspects and are made public.*

*For these reasons, already existing requirements to publish relevant information to take account of the economic, environmental and social sustainability of projects are well established and additional requirements would create unjustified administrative burdens.*

80. (§ 226 - 2014/PAR/0317) The European Parliament calls on the Commission to publish all the documents concerning the project to build the Lyon-Turin high-speed rail line and the funding arrangements for the project.

**Commission's response:**

*The Commission ensures full transparency of all co-funding for the projects on the TEN-T under the Connecting Europe Facility. Funding is based on competitive calls for proposals; all projects selected and rejected are transparently reported on and the European Parliament is duly informed prior to each call as well as on the results and the follow-up, also by means of the annual hearings of the European Coordinators and the publication of their Work Plans and annual activity reports. There are detailed project fiches and lists per country available on the INEA website. Furthermore, all tendering by Member States on large infrastructure projects is done under WTO/EU public procurement rules, which include the obligation to publish the names of successful bidders. These processes ensure that all relevant information is available on the financing of large infrastructure projects, including on Lyon-Torino.*

*Beyond the above information, any request for access to documents is treated by the Commission pursuant to the rules laid down in Regulation 1049/2001. In general, project documentation emanates from the Member States and the Member States' approval is necessary before information can be disclosed to the public. In addition, for reasons of protecting the commercial interests of individuals or of legal persons Regulation 1049/2001 provides for certain restrictions in the disclosure of information.*

81. (§ 237 - 2014/PAR/0318) The European Parliament appreciates, in this context, that the Commission has created a high-level group on simplification for beneficiaries of ESIFs; wishes to receive copies of the reports which the group will publish as of February 2016.

**Commission's response:**

*The High Level Group on Simplification for beneficiaries of ESI Funds is an expert group set up to provide advice to the Commission. They have been asked to make recommendations for concrete actions that can maximise the potential for simplification in the current period (2014-2020).*



*They presented their first conclusions and recommendations on e-Governance and simplified costs to the Commission on 1 March 2016. They were published on the web page for the expert group and were also made available separately from the Commission to the EU institutions, including the European Parliament.*

*Future reports from the Group will also be available publically via the Commission Register of Expert Groups and the Simplify ESIF platform as well as being sent to the EU institutions.*

*All information related to the activities of the High Level group monitoring simplification for beneficiaries of EFI funds can be found on the Inforegio website [http://ec.europa.eu/regional\\_policy/en/policy/how/improving-investment/high-level-group-simplification/](http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/high-level-group-simplification/)*

82. (§ 239 - 2014/PAR/0319) The European Parliament welcomes the fact that in 2014, the Commission, launched a first series of four studies to assess the integration of elements of the reformed cohesion policy in the programming exercise for the 2014-2020 period; recalls that the topics for the four studies are the following: ex ante conditionalities, the partnership principle, the performance framework and "new provisions" (covering a range of new programming elements, such as the assessment of administrative burden for beneficiaries and planned actions for its reduction, horizontal principles, territorial approaches etc.); wishes to receive copies of the studies when they are completed.

**Commission's response:**

*The publication of the four studies is foreseen for the second half of 2016.*

83. (§ 244 - 2014/PAR/0320) The European Parliament urges the Commission to indicate before 1 July what plans it has for remedying this situation (which indicated in paragraph 243, namely "were the checks at Member States fully reliable in both policy areas, the estimated level of error could have been reduced by 3,3 percentage points for the regional and urban policy area and 3,2 percentage points for the employment and social affairs policy area") in order to substantially improve financial management at the Member State level.

**Commission's response:**

*The Commission's DGs have the obligation to report in their annual activity reports on the measures to improve the financial management in the Member States. The Commission does not consider that an additional reporting is necessary.*

*Every year each of the Commission's DGs publish their annual activity reports under the following homepage:*

[http://ec.europa.eu/atwork/synthesis/aar/index\\_en.htm](http://ec.europa.eu/atwork/synthesis/aar/index_en.htm)

*See also reply to 2014/PAR/260.*

84. (§ 246 - 2014/PAR/0321) The European Parliament deplores that, for years, errors of the same kind continue to be identified often in the same Member States; acknowledges that suspension and interruptions of payments by the Commission ensure that corrective actions are carried out in cases where deficiencies were identified; calls on the Commission to step up monitoring of national and regional management and control systems in the light of this finding, and to ease monitoring in countries where management and control systems have proved reliable.

**Commission's response:**

*It is not totally correct to say that the same kind of errors continue to be identified in the same Member States as the situation varies each year for different programmes/ countries/ intermediate bodies, it depends very much on the programme authorities and the complexity of the management and control systems.*

*In addition, the Commission is already monitoring closely the work of programme authorities: through the programming period it has managed to identify problematic OPs and/or national/regional/local bodies and focused on tailor-made remedial actions for them.*

*Furthermore, for well-functioning programme authorities the Commission issues a letter of reliance ("Article 73 letter") and reduces its own audits on the spot. For programmes, in which significant and/or repeated weaknesses are identified the Commission plans and carries out additional audits to fill the gap between the results it receives from these authorities and its own assurance conclusions.*

85. (§ 248 - 2014/PAR/0322) The European Parliament notes with concern the problems with procurement for structural fund expenditure monitoring systems in 2007-2013 and also in 2014-2020, and calls for clarification as to why these problems arise in every funding period, as well as on the current state of the fraud investigations and the recovery of irregularly obtained funds.

**Commission's response:**

*The Commission published in January 2016 a stock-taking study that provides a systematic assessment of the public procurement systems of each Member State. This study offers a unique and unprecedented overview of the current state of administrative capacity in the field of public procurement in the EU with a special focus on the implementation of the European Structural and Investment (ESI) Funds. It provides valuable information as to how to improve the quality of public*

*procurement and ensure more efficiency, transparency and regularity, in line with the Investment Plan for Europe and the EU budget focused on results initiative.*

*This study provides a systematic assessment of the public procurement systems of each of the Member States with a particular focus on the way how they are organised and function. Based on desk research for 28 Member States, field interviews in 15 Member States, case studies in the Czech Republic and Portugal and an online survey of practitioners in 28 Member States, the study assessed each system's strengths and weaknesses and provided country specific recommendations in 28 country profiles. It also identified a list of good practices and lessons learnt from the past that could be used by decision-makers to improve administrative capacity, especially in terms of human resources, systems and tools, and governance structures.*

*The study is one of the building blocks of the Action Plan on public procurement - part of the broader initiative launched by the Commission to help Member States and regions improve the way they invest and manage Cohesion Policy funds, alongside the development of Peer 2 Peer, a platform for public officials from Member States to exchange expertise and best practice in administrative capacity-building, the guide on the most common errors in public procurement, and Integrity Pacts, a tool to improve transparency and accountability in public procurement. The action plan contains in total 14 actions and is monitored by a technical working group in which the ESIF DG's, DG GROW and EIB are represented. 11 of 14 actions have been launched, 4 actions have been completed, of which the following 3 so far in 2016: dissemination of guide for practitioners; finalisation of stock-taking study on MS performance incl. recommendations; finalisation of expert study to explore development of an index to rate contracting authorities. The Integrity pact project - phase 2 has been successfully launched in cooperation with Transparency International.*

*Therefore, the Parliament is kindly requested to consider the above study. On the part of anti-fraud investigations and the recovery of funds related to irregularities, the Parliament is kindly requested to consider the annual reports of OLAF and the annual Commission Reports on the Protection of the European Union's Financial Interests.*

86. (§ 252 - 2014/PAR/0323) The European Parliament is of the opinion it would be helpful if the Commission provided a focused analysis of the national eligibility rules (for both the 2007 – 2013 and 2014 – 2020 periods) and on this basis prepared guidance for Member States on the simplification and elimination of unnecessarily complex and complicated rules (gold-plating).

**Commission's response:**

*The Commission accepts this recommendation.*

*The Commission will pay specific attention to national eligibility rules in its monitoring and audit of national management and control systems, in particular in Member States with persistently high error rates.*

*On this basis, it will help the Member States concerned to simplify and avoid unnecessarily complex and burdensome rules, facilitate the exchange of good practices and will report on the experience acquired in 2018. The Commission continues to heavily invest on the use of simplified cost options during the 2014-2020 programming period.*

*Regarding the national eligibility rules of the 2014-2020 programming period, the Commission services launched in July 2015 a study on new provisions on simplification during the early implementation phase of the ESI Funds. The overall objective of this study is firstly to assess how the simplification possibilities in the new regulatory framework of the European Structural and Investment Funds have been taken up by Member States during the early implementation phase and secondly to compare and quantify the impact of regulatory changes in the overall delivery mechanism on the administrative burden and costs for beneficiaries and programme authorities. Thirdly, the study should also look at the creation of additional administrative burden and costs resulting from rules at national or regional level which go beyond what is strictly required by Union legislation (“goldplating”).*

*Moreover, the Commission notes that it is providing observations on selection criteria to be decided by monitoring committees and has issued extensive and timely guidance to Member States during the start-up of the 2014-2020 programming period. It will continue to guide the Member States in order to simplify and avoid unnecessarily complex and burdensome rules whenever specific instances of gold plating are identified. In this framework, the Commission and the Member States meet on a regular basis to discuss and clarify these issues. The Commission is also heavily investing on the use of SCOs during the 2014-2020 programming period.*

*The Commission will also continue cooperating with national audit authorities to encourage them to identify and report, in system audits and other audits, eligibility rules which are unnecessarily complex and that can be simplified without putting at stake the legality and regularity of expenditure.*

*Finally, the Commission recalls that under shared management, the establishment of national eligibility rules is the responsibility of the Member States who should in the first instance review and simplify their national eligibility rules and disseminate good practices, based on cumulative national and EU audit results from the 2007-2013 programming period and experience collected by managing authorities and intermediate bodies.*

87. (§ 255 - 2014/PAR/0324) The European Parliament expresses concern regarding the checks carried out on funds for refugees, which are frequently allocated to the Member States in emergencies and in a manner not consistent with the rules in force; regards it as essential that the Commission introduce more rigorous checks, not least

with a view to ensuring that the human rights of refugees and asylum seekers are upheld.

**Commission's response:**

*Up to date DG HOME was not notified of any cases of non-compliance with the applicable rules with regard to attribution of emergency assistance and/or respect of rights of asylum seekers and refugees in the context of emergency assistance projects. We would like to reiterate that DG HOME has in place a robust control system for emergency assistance. DG HOME prepared internal procedures with regard to the processing of MS' applications for emergency assistance as well as an application form and guide for applicants. The evaluation committee has been set up and its composition takes into account an appropriate representation of the most relevant policy units, the units in charge of the national programmes and the direct management team. The financial resources for emergency assistance are made available through Annual Work Programmes which serve as financing decisions. Following recommendations made by the ECA, applications for emergency assistance are specifically requested to include measurable targets for output, outcome and, where possible, impact indicators. Implementation of the emergency assistance project is regularly monitored by the desk officer in charge. In addition, it is subject to the same level of control and audit as other funding implemented under direct management. For funds managed under shared management a control chain is set up to monitor the implementation of actions with a view to ensuring sound financial management of Union Funds. The legal basis set out the minimum requirements on controls and audits, which take place at both national and COM level. At national level, the main actors are the Responsible Authority (RA) and the Audit Authority (AA). Administrative and on-the-spot controls on payment claims submitted by beneficiaries are performed by the RA throughout the expenditure life cycle and allow for timely corrective measures. The AA provides reasonable assurance that the accounts transmitted to the COM are true, complete and accurate and that the internal control procedures have operated satisfactorily. The AA operates following the International Audit Standards. At COM level, the main services involved are the geographical desks and the audit sector. The geographical desks ensure regular contacts with the national authorities and analyse the accounts submitted by the MS on yearly basis and audit sector carries out audits to ensure that management and control systems set up by MS are functioning effectively. Therefore, regarding the allocation of funds to MS, we consider the recommendation as largely implemented. Regarding the respect of the human rights of refugees and asylum seekers, it has to be noted that legal basis for AMIF and ISF requires that actions shall be implemented in full respect for fundamental rights and human dignity/Charter of Fundamental Rights of EU. In this respect DG HOME will reinforce its checks by adapting the procedure for monitoring visits for funds managed both under shared and direct management (additional question/check to be introduced during the monitoring visit).*

88. (§ 260 - 2014/PAR/0325) The European Parliament recalls that the implementation of 51 priority projects in Greece needed to be accelerated; furthermore, 14 projects - concerning, among other issues, the cadastre and the national registry - have been identified as "bottleneck" projects and run the risk of de-commitment; expects the Commission to update Parliament on the situation in the 2014 Commission discharge follow-up report.

**Commission's response:**

*Following the submission of the closure documents for the programmes 2007-2013, it will be clear how many priority projects have been completed or will be phased for co-financing in the programming period 2014-2020.*

89. (§ 261 - 2014/PAR/0326) The European Parliament recalls that the Czech Audit Office report OPTP/2014/SM/01 on the procurement procedure for the monitoring system for 2014-2020, which was filed with the Commission in April 2015, refers to unwarranted expenditure of over EUR 9 million; welcomes the fact that the Commission has issued a letter of warning of possible interruption of payments and called on the Czech authorities to apply adequate financial corrections; wishes to know how the European Anti-Fraud Office (OLAF) assessed the situation.

**Commission's response:**

*With respect to the procurement procedure for the CZ monitoring system for 2014-2020, OLAF has analysed the initial information received and dismissed it following the selection process for proportionality reasons and on grounds of subsidiarity. OLAF is monitoring developments and will, based on feedback received from its partners, assess again whether the information received allows for the conclusion that the matter has been solved satisfactorily, or whether investigative initiatives by OLAF are needed. OLAF has been informed that in the meantime payments have been interrupted.*

90. (§ 263 - 2014/PAR/0327) The European Parliament notes that the analysis however shows that the use of FEI among the Member States differs radically; calls on the Commission to analyse the main reasons behind such dramatic differences among Member States and to find an effective incentive for them to be more active in using FEI in those fields where they have proved to be successful.

**Commission's response:**

*In the period 2007-2013 FEIs for ERDF and ESF are established in 25 Member States (with exception of Ireland, Luxembourg and Croatia). The number of FEIs and their financial allocations differ indeed among the different Member States as*

*there is a difference between the market needs of the different Member States. The implementation of the FEIs during this period differed also from a Member State to another as a result of a number of factors including the financial crisis, the limited experience in some Member States and the late start of some instruments.*

*In the ex-post evaluation of cohesion policy programmes 2007-2013 focusing on financial instruments for enterprise support published in February 2016, the reasons of the main differences between the FEIs implementation in Member States are explained in detail.*

*When preparing the 2014-2020 legal framework for the shared management financial instruments, the Commission addressed the challenges detected in the 2007-2013 period in order to provide Member States with clarity and legal certainty. A significant number of incentives for Member States have been put in place to make an effective use of financial instruments (e.g. ex-ante assessment, flexible implementation options to deliver across all thematic objectives, possibility to implement standardised "off-the-shelf" instruments, possibility of increased co-financing rate at axis level, phased payments, incentive-based methodology for management costs and fees, etc.).*

*The Commission refers also to its reply under recommendation 2014/PAR/0315 with regard to the actions it undertakes to encourage the use of financial instruments in the Member States for the period 2014-2020.*

91. (§ 264 - 2014/PAR/0328) The European Parliament calls on the Commission to contribute to eliminating this negative feature of FEI utilisation and considers the new provision for 2014-2020 for payment to FEI in tranches as a positive step in this direction.

**Commission's response:**

*The legal framework clearly stipulates a phased payment system based on the actual performance of the financial instrument in the ground (Art 41 CPR).*

*Please consider also the Commission reply to 2014/PAR/0315.*

92. (§ 265 - 2014/PAR/0329) The European Parliament notes that the pronounced boom in FEI use will necessarily lead to a completely new approach to spending public money by public administration authorities and audit and control bodies, which to an extent requires a "new culture" in the environment for innovative financial instruments; calls on the Commission to test an adequate preparedness of this environment.

**Commission's response:**

*The 2014-2020 programming and implementation framework is set-up to improve the environment for investments. In this context, the ex-ante conditionalities are the key tool which helped the Commission to check the adequate preparedness of this environment and to put in place the adequate measures to improve it when necessary:*

*For financial instruments, the CPR includes the ex-ante assessment requirement, which allows the MAs to have a deep understanding of the market failures and to make an assessment of the added value of the proposed financial instruments.*

*The CPR opened the possibility to set-up financial instruments for all thematic objectives and at different levels (e.g. national, regional, cross-border and even contributions to financial instruments set up at Union level). If MAs have difficulty in implementing new or innovative FIs in one of these thematic objectives or at particular level, the Commission recommends the use of the off-the-shelf instruments designed to achieve the specific objectives set out under the relevant priority.*

*In addition, the CPR makes possible the establishment of joint instruments blending resources from ESIF and other sources from the EU budget.*

*The Commission also provides assistance and advisory services to Member States in the area of FEIs. A dedicated technical advisory platform (fi-compass) was established early in 2015 in partnership of the four European Structural and Investment Funds DGs with the EIB. Fi-compass is designed to support ESIF managing authorities, EaSI (Employment and Social Innovation programme) microfinance providers and other interested parties, by providing practical know-how and learning tools on financial instruments. These will include “how-to” manuals, factsheets for quick reference, e-learning modules, face-to-face training seminars and networking events for the exchange of good practices across Member States.*

93. (§ 266 - 2014/PAR/0330) The European Parliament notes that FEI could substantially contribute to efficiency, effectiveness and economy in ESIF utilisation, if they are wisely implemented, as they are naturally focused to reach a result, or to generate performance; calls on the Commission also to reflect this kind of benefit in the Union budgetary expenditure policy.

**Commission's response:**

*The Commission has already undertaken actions in this respect.*

*In 2014-2020, a stronger and more performance oriented framework was put in place to allow for a more widespread use of financial instruments (loans, guarantees, equity) in policy areas where the projects generate revenue or*



*significant cost savings. This included the expansion of the scope for use of financial instruments to deliver all thematic objectives. Given the revolving nature of the support provided by financial instruments, their support is more sustainable than grants.*

*This trend was confirmed in the Investment Plan communication, in which the Commission strongly encourages the wider use of financial instruments in ESI Funds instead of traditional grants, in areas such as SME support, CO2 reduction, ICT, sustainable transport, R&D&I, energy and resource efficiency. As noted in the Investment Plan, it is expected that over the 2014-2020 period, the ESI funds committed to financial instruments would have a direct leverage effect generating additional investments between EUR 40 and 70 billion and with an even larger multiplier effect in the real economy.*

*Current estimates and plans show that around EUR 21 billion of ERDF, ESF and CF will be devoted to financial instruments in the new period, aspiration for doubling compared to the 2007-2013 programming period. It is estimated that about 12% of ERDF and Cohesion Fund allocation will be delivered through financial instruments.*

94. (§ 272 - 2014/PAR/0331) The European Parliament calls on the Commission to look at successful simplification procedures recognised by the Court, such as in Horizon 2020 and the simplification of indirect costs with flat rate reimbursements, in order to generalise this approach to other policy areas.

**Commission's response:**

*In the context of the next revision of the Financial Regulation, the Commission intends to propose additional simplification measures. Simplified reimbursement through unit costs, lump sums or flat rates or reimbursement on the basis of pre-defined results should not be mandatory but an additional option for an Authorising officer to be used where possible and appropriate with regard to the types of beneficiaries and projects to be supported.*

95. (§ 273 - 2014/PAR/0332) The European Parliament calls on the Commission to assess or review the possibility of extending the system of payment for entitlements, which leads to fewer errors than the cost reimbursement system – which is the cause of most errors – relative to other programmes.

**Commission's response:**

*The Commission always assesses the best cost system to be implemented within any of its funding schemes. This has again been done within the setup of the new MFF and will be considered, if needed, within the simplification package. The Commission notably considers that the potentially negative impact of complicated*

*eligibility rules on the risk of error for reimbursement schemes is significantly mitigated when simplified cost options (SCOs) are used and has already invested significant efforts to expand the use of SCOs in cohesion policy and notably the ESF. The Commission will also continue to support Member States' efforts in this context. In parallel the Commission launched an important exercise on simplification whose results will be addressed in the framework of the "omnibus regulation" and the revision of the Financial Regulation, the use of simplified forms of grants (unit costs, lump sums, flat rates) is facilitated by: 1) lowering of the level of authorisation (from the Commission to the Authorising officer), 2) by allowing for the use of expert judgement when setting-up unit costs in case where sufficient data are missing, 3) by expressly providing the possibility to use a lump sum covering an entire action ("single lump sum"). In addition, a new category of Union contribution is added as an option where the financing is not linked to costs of the relevant operations but rather based either: i) on the fulfilment of certain conditions ex ante as set out in the basic act [or Commission Decisions] and/or ii) on the achievement of results measured through performance indicators. The proposals above (increased use of SCOs, single lump sums and new contributions) will offer the possibility to all policy areas to switch from a reimbursement scheme to a real "entitlement scheme", where appropriate, as a means of simplification. Entitlements programmes already exist today by direct aid to farmers, budget support in the area of external aid or certain student and research fellowships.*

96. (§ 274 - 2014/PAR/0333) The European Parliament invites the Commission to monitor how the Member States are improving the rules on auditing and controls in order to create a common base to share best practices in particular on public procurement and fight against fraud and corruption.

**Commission's response:**

*For Cohesion policy, the audit strategy has been based on risks for the 2007-2013 programming period to target the Commission's limited audit resources to the high-risk programmes, audit authorities or programme authorities.*

*The audit activity reported in DG REGIO's and DG EMPL's Annual Activity Reports for 2014 show how the Commission monitors the improvement of the Member States' rules on auditing and control as regards legality and regularity of expenditure. Such monitoring will continue in the years ahead taking into account the changes in the 2014-2020 Regulations.*

*Moreover, the monitoring of Member States' audit procedures and their improvement is also done via regular technical meetings and "Homologue Group" meetings with all audit authorities. These meetings aim at exchanging best practice, sharing standards and developing over the years of a homogenous high level of auditing.*

*As regards sharing best practices on public procurement, the Commission services launched in January 2014 a public procurement action plan, that contains 14*

*actions amongst which: a peer-to-peer exchange of expertise between national authorities so as to provide targeted support for specific Member states to assist by learning by doing; the update of the auditor's checklists for public procurement errors based on changes introduced by the new public procurement directives.*

*Concerning the fight against fraud and corruption, the Joint Anti-Fraud Strategy was adopted in December 2015 for a longer period (2015-2020) aligned with the timeframe covered by the single audit strategy of DGs Regional and Urban policy, Employment, Inclusion and Social affairs, Maritime Affairs. It contains an action plan setting out the anti-fraud activities to be carried out by these DGs in close collaboration with OLAF in the period. This strategy covers also anti-corruption actions of the 3 DGs.*

*The Guidance to Member States entitled "Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures" (ref. EGESIF\_14-0021-00 of 16/06/2014) was presented in various anti-fraud and anti-corruption seminars in Member States (2014 and 2015), covering the new anti-fraud requirements for 2014-2020.*

*During 2015, missions were carried out together with DG Employment, Inclusion and Social Affairs that aimed at explaining the concept of the ARACHNE Risk Scoring Tool to the national authorities (managing authorities, certifying authorities, audit authorities). The use of this tool is promoted by the Commission to contribute to meeting the new anti-fraud requirements for 2014-2020.*

97. (§ 275 (a) - 2014/PAR/0334) The European Parliament concludes that the Commission should:

(a) have identified evidence on the impact of ERDF, ESF and CF interventions of the 2007 – 2013 period for fulfilment of the Europe 2020 Strategy targets.

**Commission's response:**

*For the 2007-2013 programming period, policy performance is monitored through the yearly reporting on programme output indicators. As far as DG Regional and Urban Policy is concerned, global data on achievement is reported in its Annual Activity Reports under the form of key performance indicators which reflect the main investment priorities for smart inclusive and sustainable growth.*

*The ERDF/CF ex-post evaluation of the 2007-2013 programming period, is being finalised with a Commission Staff Working document planned for adoption in September 2016. The ex-post covers several thematic topics in all Member States that are directly or indirectly relevant for the objectives of the Europe 2020 Strategy and will provide further information about policy achievements.*

***DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion are reporting as part of their AAR on their contributions to the achievement of the Europe 2020 Strategy.***

98. (§ 275 (b) - 2014/PAR/0335) The European Parliament concludes that the Commission should:

(b) ensure the new Union priorities are much more closely interlinked with the cohesion policy.

**Commission's response:**

***During 2014 and 2015 the Commission ensured that all Member States' Partnership Agreements and operational programmes took account of EU2020 objectives where relevant. This alignment work was carried out in coordination with all services concerned by the ESI Funds common provisions regulation.***

***The Commission is implementing the legislative framework put in place by the Parliament and the Council in order to fulfil its reporting obligations in 2017 with regard to the contribution of the ESI funds to the achievement of the Union Strategy for smart, sustainable and inclusive growth. Member States will report on their contribution to the EU2020 strategy in progress reports in 2017 and 2019. Based on these, the Commission will summarize this information in its strategic reports to the Parliament and the Council.***

***In the meantime, the Commission will make full use of the regulatory tools available to better monitor and report on the links between the EU 2020 objectives and the partnership agreements and operational programmes' achievements through: monitoring of implementation, reporting on achievements under the thematic objectives, stronger result orientation with common output indicators and specific output and result indicators, summary of Annual Implementation Reports and synthesis of Member States' evaluations, strategic reports.***

99. (§ 275 (c) - 2014/PAR/0336) The European Parliament concludes that the Commission should:

(c) continue in its already started simplification process, including the promotion of SCO.

**Commission's response:**

***The Commission accepts this recommendation.***

***In order to support the take-up of SCOs by Member States, the Commission developed guidance documents on SCOs. The first reference document was finalised in January 2010: the COCOF note on Simplified Cost Options setting out examples on how to develop, introduce and make use of the different types of SCOs. This guidance was updated by the EGESIF guidance note on SCOs in September 2014. Both of these notes were translated in all EU languages. Moreover, two specific guidance notes were developed for Article 14(1) ESF and Joint Action Plans in June 2015. In order to illustrate some good practices of SCOs, a case study on the implementation of SCOs in the ESF in Italy was published in February 2014.***

***DG EMPL has been promoting the use of SCOs since several years. These efforts have recently been summarized in a "Report on the implementation of SCOs in the ESF" which was sent to the ECA, the European Parliament and the Council in November 2015. The report shows that there was a relatively low uptake of the use of SCOs in the 2007-2013 programming period, but that Member States expect their use of SCOs to significantly increase in the 2014-2020 period building on the new possibilities offered by the 2014-2020 regulatory framework and the experience acquired.***

***DG EMPL will continue to strongly support Member States in their efforts. This in particular includes the involvement of the auditors in the hands on support (as requested by the Parliament) during the development of SCO-methodologies ultimately leading to the proposal of a delegated act (in accordance with Art. 14(1) of the ESF-Regulation); currently 4 Member States are covered by such a delegated act (Sweden, France, Czech Republic and Belgium). Other member states (Slovakia, Italy, Malta, Germany (Bremen), Romania are in the process of developing their SCO or have submitted a proposal for an Art 14.1 application.***

***Additionally, the DG EMPL is participating in specific seminars and workshops in Member States. In 2016, seminars have already taken place in Germany (February), Romania (April) and further events have to date been scheduled in Croatia and Malta.***

***The Commission will publish the next follow-up report end of 2017.***

100. (§ 275 (d) - 2014/PAR/0337) The European Parliament concludes that the Commission should:

(d) further support synergies within the cohesion policy itself as well as between the cohesion policy and other Union budgetary interventions.

**Commission's response:**

*Building synergies between the ESI Funds for the 2014-2020 period is a priority. The objective is to optimise the impact of EU funds on EU priorities for growth and jobs.*

*A Common Strategic Framework (Annex I) is embedded in the Common Provisions Regulation which is the basis for better coordination between the ESI Funds and also other instruments. In particular, it provides for effective coordination and complementary between Member States in the use of multi-funds programmes. On this basis guidance was prepared for beneficiaries. It gives an overview of complementary instruments available at EU level for each thematic objective identified in the ESIF regulation, with detailed sources of information and examples of good practices. Guidance for policy-makers and implementing bodies is also available, for example 'Enabling synergies between ESI Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programme'.*

*Several initiatives took place such as the pilot project 'Stairway to excellence' which provides assistance to Member States in developing and exploiting the synergies between ESI Funds, Horizon 2020 and other EU programmes.*

*In the particular field of research and innovation, the Commission gave a clear mandate to its services to maximise synergies between Horizon 2020 programme and the ESI Funds. In that context was developed the initiative 'Seal to excellence' in collaboration with Member States. This quality certificate will be awarded to high quality proposals from the Horizon 2020 programme which could not be funded by lack of available resources under this programme, but which could benefit from the support of ESI Funds. The pilot phase will be addressed to the 'SME instrument' targeting small and medium-sized businesses and offering business innovation grants.*

101. (§ 276 - 2014/PAR/0338) The European Parliament endorses the Commission's reservations in the area of economic, social and territorial cohesion and asks to be informed about the development of the programmes concerned in the Commission report following up Parliament's discharge decision.

**Commission's response:**

*The Commission has put in place specific arrangements for regularly reviewing the actions taken by services to solve the underlying problems having led to reservations in their annual activity reports.*

*Since 2014 the state of play of the reservations in the area of economic, social and territorial cohesion is also shared with the Parliament (Committee on Budgetary Control – CONT) in order to prepare the hearings with the relevant Commissioners in the framework of the Commission Discharge.*

*The Commission will ensure that the Parliament is kept informed of future developments in relation to the reservations in the area of economic, social and territorial cohesion.*

102. (§ 277 - 2014/PAR/0339) The European Parliament urges the Commission to continue to rigorously address the weaknesses of "first level checks" in Member States, as some of the most important errors are generated at this level.

**Commission's response:**

*The Commission has taken and is continuously taking the recommended actions.*

*Management and control systems can only work if Member States do their work properly. Therefore the Commission has a role to supervise the good functioning of Member States systems. In that context, DG Regional and Urban policy has carried out between 2010 and end 2015 a total of 143 targeted audits on management verifications of 88 high risk programmes in 19 Member States; DG Employment, Inclusion and Social Affairs carried out between 2013 and 2015 26 audit missions on the specific issue of management verifications in 15 Member States. These audits include visits at the level of the beneficiaries, on the spot (62 operations audited on the spot in 2014 under such audits). For 66% of these audits performed in high risk OPs the Commission identified significant deficiencies in the first level controls. In 58% of the audits the deficiencies concerned public procurement.*

*When the Commission identifies deficiencies in the management verifications it stops the payments. Interruptions and suspensions are incentives for Member States to have good systems in place and to timely take remedial actions, including financial corrections. The Commission uses these legal tools consistently and as soon as serious deficiencies in management verifications are identified. In case identified deficiencies have not been mitigated at the end of the reporting year, the Commission issues a reservation for the concerned operational programme in the AAR. The implementation of preventive and corrective measures, such as remedial actions plans, interruptions, suspensions and financial corrections, has led to improvements in the systems of programmes put under reservation. EU payments are resumed only where there is sufficient and reliable evidence that weaknesses have been remedied.*

*The Commission carries out a continuous supervision of high risk programmes after the implementation of the remedial actions. This supervision is meant to ensure that the management and control systems of programmes do not deteriorate again, due for example to staff turnover and staff restrictions in public administrations.*

*On the preventive side, the Commission provides the programme authorities with the necessary guidance (updated guidance for 2014-2020 provided in September 2015) and targeted trainings for each of the implementation phases of the*

*programmes, and on the verification of public procurement or State aid issues. Commission checklists are shared with managing and audit authorities. Sharing good practices between programmes is promoted. The new Peer 2 Peer instrument available to managing authorities for exchange of expertise will further help on this.*

*Reinforced procedures are foreseen in the regulatory framework for the 2014-2020 programming period. Management verifications and controls (including on-the-spot checks) will have to be carried out before the annual certification to the Commission of programme accounts and submission of management declarations and the annual summary of controls and audits by the managing authorities. Audit authorities will provide an audit opinion and a control report, which will include the residual level of error after correction. The Commission may impose net financial corrections to the programme if serious deficiencies in management verifications remain undetected or uncorrected by the Member State before submission of the accounts. The Commission considers that these reinforced control procedures will result in lasting reductions of the error rate.*

*Moreover, the Commission has simplified the rules for the 2014-2020 period. The Commission has reviewed the public procurement rules and has issued new and clearer rules for State aid. Member States are required to take up simplifications offered for the new programmes: i) avoiding 'gold plating' (adding national complexity in the eligibility rules); ii) ensuring efficient – not necessarily more – controls through continuous training; iii) ensuring that expertise is retained in the administration, avoiding unnecessary staff turnover.*

*All these measures have the potential to enhance the quality and reliability of first-level checks.*

103. (§ 278 - 2014/PAR/0340) The European Parliament calls on the Commission to report on Member States' uptake of the SCO in the report following up Parliament's 2014 Commission discharge decision.

**Commission's response:**

*The Commission accepts this recommendation.*

*DG EMPL has been promoting the use of SCOs since several years. These efforts have recently been summarized in a "Report on the implementation of SCOs in the ESF" which was sent to the ECA, the European Parliament and the Council in November 2015. The report shows that there was a relatively low uptake of the use of SCOs in the 2007-2013 programming period, but that Member States expect their use of SCOs to significantly increase in the 2014-2020 period building on the new possibilities offered by the 2014-2020 regulatory framework and the experience acquired.*

*The Commission will publish the next follow-up report end of 2017.*



104. (§ 279 - 2014/PAR/0341) The European Parliament agrees with the Court that the Commission should extend to all Member States its assessment of the reliability of the financial corrections reported by the certifying authorities and its impact on the Commission's calculation of the 'residual error rate'; calls on the Commission to report on the results when following up Parliament's discharge decision.

**Commission's response:**

***Response published in the ECA 2014 report, recommendation 6:***

***Recommendation 6: the Commission accepts this recommendation that it is already implementing in line with previous recommendations of the external and internal auditors in that regard.***

***The Commission has widened the scope of its assessment and now performs consistency checks and desk reviews on the financial correction statements for all Member States and operational programmes whose results are reflected in the calculation of the cumulative residual risk. In addition, it carries out a risk assessment annually to decide which audit missions are to be carried out in which Member States to obtain reasonable assurance, in this case, of the financial corrections reporting.***

***In the frame of this risk assessment the Commission also takes account of the need to conduct on-the-spot audits in all Member States with a material impact on the calculation of the cumulative residual risk, by the end of the programming period.***

105. (§ 280 - 2014/PAR/0342) The European Parliament shares the Court's view that the Commission should further strengthen the control system for audit authorities and report on the results when following up Parliament's discharge decision.

**Commission's response:**

***Concerning the verification of the accuracy and reliability of the information provided in the annual control reports, the Commission is already requesting and obtaining additional specific information from audit authorities each time it deems it necessary, in particular in case of doubts, and by carrying out desk or on the-spot review of annual control reports. As an example, DG Regional and Urban Policy has foreseen in its updated strategy for 2007-2013 to launch reinforced 'pre-annual control report' missions to prepare for the review of annual control reports provided in December 2015 for the last time and of closure declarations and opinions planned for March 2017. Furthermore, both DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion intend to continue covering a significant number of annual control reports through on-the-spot fact finding missions, on a risk basis.***

*As regards the appropriate coverage by audit authorities of checks of compliance with state aid and public procurement rules, the Commission is already implementing it in the context of its audit enquiries concerning the review of the work of audit authorities. It will also ensure, where necessary, that reinforced checklists are used for the remainder of the 2007-2013 programming period and for the next one. It has circulated to all audit authorities updated/revised audit checklists on public procurement and state aid in the technical meeting held with all national audit authorities in December 2015.*

*As regards the request to audit authorities to certify the accuracy of financial corrections reported by certifying authorities, for the 2014-2020 programming period, the audit authorities are requested each year to issue an audit opinion based on a residual rate of error in the certified accounts. For the revision of the calculation of this rate, audit authorities have to check the accuracy of the financial corrections reported by the certifying authorities during the period for each operational programme and as reported in the certified accounts.*

*All related actions are also reported in the respective Annual Activity Report of DG Regional and Urban Policy and DG Employment and Social Affairs.*

106. (§ 281 - 2014/PAR/0343) The European Parliament calls on DG REGIO and DG EMPL to publish, in their respective annual activity reports, their contributions to the preparation of the Commission's CSRs and on how they support Member States for implementing them, as these recommendations should demonstrate how the DGs facilitate Member States' progress towards achieving the Europe 2020 Strategy objectives.

**Commission's response:**

*In accordance with Article 66.9 of the FR, the Annual Activity Report (AAR) should contain financial and management information in relation to the operations performed by the AOD as well as the assessment of the extent to which the operational expenditure made has contributed to the policy achievements and generated EU added value. Therefore, the AAR is not to report on the DGs contribution to the Country Specific Recommendations in the European Semester. Nevertheless, DG Employment, Social Affairs and Inclusion and DG Regional and Urban Policy will continue to provide information in their annual activity reports where relevant on the main actions they have undertaken to help Member States implement the CSRs, such as promoting an adequate targeting of ESIF funds through (re)programming and conditionality, promoting good practices via programmes such as EaSI (Employment and Social Innovation programme) as regards employment and social inclusion, or supporting the social dialogue.*

## Natural resources

107. (§ 283 - 2014/PAR/0344) The European Parliament calls on the Commission to ensure that no EU funds are made available to directly or indirectly support bullfighting.

**Commission's response:**

*The CAP does not provide for support measures linked to raising animals for bullfighting, so there are no funds directly linked to that activity.*

108. (§ 287 and § 291 - 2014/PAR/0345) The European Parliament stresses that the problem of efficient allocation consists also in a limited reliability and the LPIS database which is not always up to date; notes with satisfaction that the weaknesses in the LPIS had been addressed in all the audited Member States but deplores the fact that some important weaknesses still persist in some Member States; asks the Commission to use the reinforced instruments it has under the new CAP legislation where there are significant and persistent deficiencies in national systems (reference made to See Article 41 (2) of Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 Reduction and suspension of monthly and interim payments).

**Commission's response:**

*In relation to LPIS, the Court of Auditors states in its 2014 Annual report (para 7.40) that "all the paying agencies examined have, under the close guidance and active supervision of the Commission, taken remedial action which overall led to an improvement in the situation" and that when weaknesses persist they do so "to a lesser degree". This is a clear indication that the remedial actions implemented by the national authorities did work even though improvements are still necessary in some Member States.*

*In 2015 further progress has been made in the Member States implementing action plans related to LPIS updates.*

*The Commission follows closely the implementation of the action plans and uses the reinforced instruments at its disposal to protect the EU budget whenever necessary. DG AGRI reports on net financial corrections, suspensions and reductions in payments in its Annual Activity Report.*

109. (§ 289 - 2014/PAR/0346) The European Parliament recommends that the Commission provide guidance to Member States so as to address these problems

(imperfect Member State action plans for rural development) and contribute to satisfactory decisions by them.

**Commission's response:**

*The Commission is committed to provide guidance to help Member States prevent and detect errors.*

*First of all, emphasis is put on preventing errors. All measures programmed for the 2014-2020 period have been assessed in the light of their verifiability and controllability. A joint statement by the paying agency and the managing authority has been included in all the rural development programmes approved. If a specific operation turns out to be difficult to verify or control, the Commission requests its modification in the RDP, in line with Article 62(2) of Regulation (EU) 1305/2013 (EAFRD).*

*The Commission also encourages Member States to make full use of all simplified costs options, e.g. lump sum payments and standard costs, which are less prone to errors than payments linked to eligible costs.*

*As regards implementation, in 2015, dedicated workshops and seminars were organised on issues related to financial error in the management of Rural Development Programmes. The target group for those activities are programme managers, national rural networks (NRNS) and network support units (NSUs), and stakeholders of Community led local development (CLLD) and Leader.*

*In addition, regular discussions take place with Member States authorities in the Rural Development Committee (RDC) meetings and with stakeholders represented in the Civil Dialogue Group for Rural Development (CDG-RD). Simplified cost options, anti-fraud issues (artificial creations of funding, irregularities, etc.), IACS and LPIS and the guidance document on controls and penalties for rural development and the Q&A table addressing Member States' questions on control and penalties were discussed. A guidance document on most common irregularities in public procurement has been presented in the Expert Group of the European Structural and Investment Funds and in the Rural Development Committee.*

110. (§ 291 - 2014/PAR/0347) The European Parliament notes with satisfaction that the weaknesses in the LPIS were addressed in all the Member States audited; however deplores that some important weaknesses still persist in Greece, Spain and Italy; asks the Commission to use the reinforced instruments it has under the new CAP legislation where there are significant and persistent deficiencies in national systems.

**Commission's response:**

*As explained in the reply to written question 55 to Commissioner Hogan in the 2014 discharge, the Commission worked closely with these three Member States.*

*In Greece, the area recorded as eligible in LPIS was updated and so the eligible permanent pasture area was reduced from 3.6 million hectares in 2012 to 1.5 million hectares in claim year 2014. At the same time, when the Commission found that Greece did not meet its commitments from the agreed action plan to remedy the situation for claim year 2014, the Commission reduced the payments (Commission Decision C(2014)8997) under Article 41(2) of Regulation (EU) No 1306/2013.*

*For Spain the action plan prepared in 2013 is being implemented by the authorities. The eligible permanent pasture area was reduced from 18.5 million hectares in 2013 to 6.4 million hectares in 2016.*

*As regards Italy, a reservation was introduced in the 2015 AAR due to high error rate reported in its statistics. It is not linked with issues related to LPIS data.*

111. (§ 299 - 2014/PAR/0348) The European Parliament asks the Commission and the Member States to collect relevant and reliable data on the effectiveness and efficiency of the measures funded, in order to manage the spending by results.

**Commission's response:**

*The Commission already collects the data and reports on the results and progress towards the achievement of general and specific objectives of the CAP in Directorate General for Agriculture and Rural Development Annual Activity Reports.*

*In the 2015 Annual Activity report, the performance part was further developed to include more details on the different measures funded by the CAP and on the achievements of the 3 CAP objectives as defined in the regulations.*

112. (§ 303 - 2014/PAR/0349) The European Parliament is particularly concerned by the cases of suspected intentional circumvention of the eligibility criteria; notes that those cases have been forwarded to OLAF and asks OLAF to report on the result of its investigations in the follow-up report of the Commission.

**Commission's response:**

*The incoming information of possible investigative interest transmitted by the Court of Auditors is always carefully assessed by OLAF. From OLAF's records there are four instances of suspected intentional circumvention of the eligibility*

*criteria identified and transmitted to OLAF by the Court of Auditors. In one instance, OLAF opened an investigation and this has been closed in the meantime. In two instances investigations have been opened and are currently ongoing, and finally one instance was dismissed following the selection process. The Court has been duly informed in all cases.*

113. (§ 313 - 2014/PAR/0350) The European Parliament notes that the declaration of assurance given by the Director General of DG AGRI includes three reservations in respect of 2014 expenditure in shared management with the Member States and one reservation in respect of indirect management concerning in total EUR 1 446,9 million (EUR 1 451,9 million in 2013); observes that the highest amount in risk in 2014 is under ABB03 (Direct payments); welcomes this intensive work by the Directorate-General to monitor and correct Member State authorities' data , as required by Article 66 of the Financial Regulation; points out that the weaknesses and corrections in the national systems thus revealed represent a substantial part of the data on which the declaration of assurance is based; calls on the Commission to further improve the data forming the basis for this declaration of assurance.

**Commission's response:**

*The declaration of assurance is based on solid methodology and evidence; the Commission adjusts the error rates reported by Member States. From 2015 financial year, work of the Certification Bodies adds to the exercise. When CB's work is considered reliable, its opinion will be used and will reinforce the assurance.*

114. (§ 315 - 2014/PAR/0351) The European Parliament stresses that according to the Commission, agricultural income per worker is positively influenced by the decline in the agricultural workforce; asks the Commission to report systematically on this issue in its annual activity report (reference made to reply of Commissioner Hogan to written question .7 b. CONT hearing on 14 January 2016).

**Commission's response:**

*As pointed out in the reply to the European Parliament written questions, the Commission had already been reporting annually on the distribution of direct support to farmers and submitting this information to the European Parliament. On that basis, and in line with the commitment to the European Parliament, the Commission reported on the developments in the distribution of support in Directorate General for Agriculture and Rural Development 2015 AAR, pages 17-20. The Commission will continue to prepare annually a detailed report on the distribution of direct support to farmers.*

115. (§ 318 - 2014/PAR/0352) The European Parliament asks DG AGRI to report in its annual activity report 2015 on a broad mix of economic and environmental indicators

giving a well-balanced overview of the state of Union agriculture and its broader context, to enable the co-legislators to better assess the performance of the CAP and engage in an informed reflection on its future orientation.

**Commission's response:**

*Every year DG AGRI is striving to improve the reporting on the CAP presented in its AAR, in response to requests and expectations of different stakeholders, notably the European Parliament.*

*Section 1 of the DG AGRI 2015 Annual Activity Report is structured around the three "CAP general objectives". For each of these objectives, the key quantified facts are presented together, before an explanation of significance, cause and general context is offered. This approach is intended to give the reader a rapid, easily accessible overview of the essential information for each objective.*

*Long term trends in the key indicators for the CAP are the most useful instrument for the stakeholders of the CAP to properly assess the outcome of the policy on its objectives and to anticipate arising challenges for the policy. This is because of the long lag effects of the policy and its interaction with the sector and the environment. With regard to the various indicators presented, the most recent available values are used.*

116. (§ 319 - 2014/PAR/0353) The European Parliament asks DG AGRI to report on the trend in the distribution of agricultural income support in its annual report and in particular to give details of the effects of the new forms of support, such as the redistributive payment, introduced by the 2013 CAP reform.

**Commission's response:**

*In response to the European Parliament request, DG AGRI included in the 2015 AAR a dedicated box entitled "Trends in the distribution of direct payments" (page 18 of the 2015 AAR). As stated in that analysis, the 2013 CAP reform will be implemented as from 2015, so its effects will become apparent in subsequent years. Therefore, DG AGRI will continue to provide updated information on the impact of the new forms of support, when more data has been gathered.*

117. (§ 325 - 2014/PAR/0354) The European Parliament regrets that the Court detected grave deficiencies as to the revolving and leverage effects of the funding's facilities in rural development and concluded that FEI had been unsuccessful during the period 2007-2013; requests that the Commission implement measurements to provide sufficient incentives for beneficiaries to allow for substantial added value (reference made to European Court of Auditors' Special Report No 5/2015: Are financial instruments a successful and promising tool in rural development area).

**Commission's response:**

*The Court of Auditors' Special Report related to the 2007 – 2013 period. Financial Instruments receiving support under the 2014-2020 rural development programmes must comply with the respective provisions of Regulation 1303/2013 (CPR), including the ex-ante assessment in relation to the financial instrument.*

*The provisions have been clarified in the new legal framework and are subject to specific guidance for Member States and financial institutions. They are also covered by the Fi-compass (technical assistance platform on financial instruments) activities.*

*The improved legal framework and guidance should help Member States optimise the use of FEI in the new programming period.*

118. (§ 326 - 2014/PAR/0355) The European Parliament asks the Commission to proceed rapidly and to report to the Parliament on this issue by June 2016 (conformity clearance procedure to get detailed and precise information on the risk of a conflict of interest concerning the State Agricultural Intervention Fund in the Czech Republic); asks OLAF to report without delay to the Parliament on its decision whether or not to open a case.

**Commission's response:**

*The Commission confirms that a conformity clearance procedure in relation to potential non-compliance of the Paying Agency CZ01, State Agricultural Intervention Fund (SAIF) with the accreditation criteria set out in Point 1(B)(v) of Annex I to Commission Delegated Regulation (EU) No 907/2014 has been opened on 8 January 2016. A bilateral meeting between the Commission services and the competent Czech authorities has taken place. The Czech authorities have been given the opportunity to further comment on the Commission's findings and have recently submitted their comments. The Commission will evaluate the latest comments and will take a decision on the result of the procedure in due course. OLAF is not involved in this conformity clearance procedure. As a general comment while there are ongoing OLAF investigations in relation to the Czech Republic, these are not linked with the conformity clearance procedure matter in question. However, if at the end of this procedure information related to possible cases of fraud, corruption or any other illegal activity affecting the financial interests of the EU becomes available, this will be transmitted to OLAF by DG AGRI.*

119. (§ 327 - 2014/PAR/0356) The European Parliament notes that after the end of the eligibility period of FEI, resources returned to the funds from investments can be used by Member States and become national resources under the current legal framework; regrets that by this means resources initially linked to specific financial



instruments can be eventually transferred to different sectors and individual undertakings; calls on the Commission to increase the incentive for Member States to spend these resources within the same sector.

**Commission's response:**

*Article 45 of Regulation 1303/2013 provides that Member States must ensure that after the end of the eligibility period, resources paid back to financial instruments are used in accordance with the aims of the programme, within the same financial instrument, or following the exit of those resources from the financial instruments, in other financial instruments, provided that, in both cases, an assessment of market conditions demonstrates a continuing need for such investments.*

120. (§ 329 (a) - 2014/PAR/0357) The European Parliament concludes that the Commission should:

(a) take appropriate measures to strengthen the action plans in Member States so as to identify the most frequent causes of error; and revise the strategy for rural development conformity audits.

**Commission's response:**

*The action plans are closely followed by the Commission in terms of implementing the actions included therein and the calendar.*

*Secondly, the Commission works with Member States upfront to prevent errors and management and control deficiencies from occurring. This includes simplification and clarification of rules in cooperation with Member States at the very upstream level of law-making activities. For each of the 3 ABB activities, i.e. market measures, direct payments and rural development, Commission staff working documents on the assessment of main causes of errors that were published in 2014 identified the main specific causes of errors and listed actions to be implemented.*

*These preventive mechanisms are without prejudice to the possibilities for the Commission to provisionally reduce or suspend payments to Member States or definitively exclude irregular expenditure from EU financing when the conditions to do so are met.*

*DG AGRI is taking into account the most common causes of errors when making its audit strategy. For example, public procurement breaches in rural development investment measures have been identified as an important source of errors and audits dedicated to that issue are being carried out in several Member States.*

121. (§ 329 (b) - 2014/PAR/0358) The European Parliament concludes that the Commission should:

(b) analyse the impact of the CAP reform in terms of the performance of industry and its priorities as concerns Union budgetary support.

**Commission's response:**

*The Commission considers that the CAP already delivers on well-defined objectives and works as a catalyst, delivering results in areas related to other policies. Thanks to many successive reforms, today's CAP is a market-oriented policy. The vast majority of subsidies have been decoupled from production, meaning that they don't distort the market.*

*The analytical work continues as the policy must adapt to the changing situation on the global market and in respect of different consumer needs. Therefore, the progress towards targets set for the priorities is constantly monitored and the most recent achievements are presented in the Annual Activity Report. The 2015 AAR includes more performance reporting and this trend will continue in the coming years.*

122. (§ 329 (c) - 2014/PAR/0359) The European Parliament concludes that the Commission should:

(c) facilitate synergies in the natural resources area to eliminate its current heterogeneity of supportive actions.

**Commission's response:**

*The two pillars of the CAP work in a complementary manner. With the first pillar's direct payments, farmers receive a basic support to help maintain the economic viability of their farm while at the same time complying with basic environmental safeguards and animal welfare standards. They may wish to build on this by applying for support related to investment, training, innovation, risk management tools or environmental measures, under the second Pillar.*

123. (§ 329 (d) - 2014/PAR/0360) The European Parliament concludes that the Commission should:

(d) report in detail to Parliament on the implementation of the capping in CAP direct payments Member State per Member State.

**Commission's response:**

***The Commission will consider including this information in the next Directorate General for Agriculture and Rural Development Annual Activity Report.***

124. (§ 330 (a) - 2014/PAR/0361) The European Parliament requests that:

(a) the Commission consider reporting, in the annual activity report of DG AGRI, on the trend in the distribution of agricultural income support.

**Commission's response:**

***The 2015 DG AGRI Annual Activity Report already includes the requested information, please see pages 17 – 20 of the document.***

125. (§ 330 (c) - 2014/PAR/0362) The European Parliament requests that:

(c) the Commission draft proposals with a view to sanctioning false or incorrect reporting by paying agencies including the three following dimensions, namely inspection statistics, statements by the paying agencies and the work of certification bodies.

**Commission's response:**

***The equivalent recommendation was rejected in the 2013 discharge.***

***The Commission would like to reiterate the second part of the reply to Recommendation nr 2014/PAR/0252:***

***The Financial Regulation (Article 59.6 of R. 966/2012) does not provide for sanctions against Member States in case of incorrect reporting, but only for corrections in case the applicable rules were breached. Changes such as those recommended by the Committee would necessitate a review of the Financial Regulation.***

***The Commission has already at its disposal a series of corrective measures available under the legal framework which can be used as sanctions for the paying***

*agencies in case their control systems is partially effective or ineffective: conformity clearance procedures to estimate the amount at risk and result in net financial corrections that protect the EU budget, and reservation in the ARR triggering remedial actions by the Member States and, where remedial actions are not implemented, suspension/reduction of the payments to the Member State.*

126. (§ 330 (d) - 2014/PAR/0363) The European Parliament requests that:

(d) the Commission take appropriate measures to require that Member States' action plans in rural development include remedial actions addressing frequently-found cases of error.

**Commission's response:**

*The action plans for reservations concerning rural development expenditure are closely followed by the Commission. The action plans are updated by Member States every six months and scrutinised by the Commission. The latter presents the synthesis and overall conclusions to managing authorities and paying agencies in a dedicated seminar taking place twice a year. Furthermore, they are subject to dedicated discussions in the annual review meetings with the managing authorities and the monitoring committees.*

*The Commission would like to emphasize, that often action plans cannot immediately remedy the deficiencies. Their aim is to improve the management and control systems of the Paying agencies to ensure that CAP funds are properly managed in the future.*

127. (§ 330 (e) - 2014/PAR/0364) The European Parliament requests that:

(e) the Commission revise the strategy for its rural development conformity audits so as to establish whether systems weaknesses found in one specific region, for Member States with regional programmes, are also present in the other regions, especially for investment measures.

**Commission's response:**

*The Directorate General for Agriculture and Rural Development's audit strategy, based on risk analysis and multiannual audit programme allows covering adequately the most risky expenditure areas.*

*Whenever possible the weaknesses are treated in a systemic way. For rural development, there are potentially 576 different audit fields (paying agency/control system pairs). It is not possible with reasonable resources to audit all audit fields. Because of the heterogeneity of the rural development measures, there is therefore both a limitation to the expenditure coverage of audits as well as to the scope of the eventual financial corrections which are applied.*

128. (§ 330 (f) - 2014/PAR/0365) The European Parliament requests that:

(f) the Commission ensure that the new assurance procedure on legality and regularity of transactions, which will become mandatory as of the financial year 2015, is correctly applied by the certification bodies and produces reliable information about the level of error.

**Commission's response:**

*In order to support and guide the new work to be done by the Certification Bodies from financial year 2015, the Commission developed detailed guidelines on how to sample and report the results of their re-verification of primary level controls initially made by the Paying agencies. If done properly, the results of the re-verification will be the basis for a statistically valid opinion on the legality and regularity of the underlying transactions.*

*The detailed guidelines have been extensively explained to the Paying Agencies and Certification Bodies, and their implementation is being closely monitored by the Commission.*

129. (§ 330 (h) - 2014/PAR/0366) The European Parliament requests that:

(h) the Commission ensure complementarity between Union funds in order to mitigate the risk of double-funding and duplication of administration in knowledge-transfer and advisory measures.

**Commission's response:**

*In line with the applicable legislation Member States must ensure that there is no double-funding for the same project.*

130. (§ 330 (i) and § 113 of Part IX – Special Report No 5/2015 of the Court of Auditors entitled "Are financial instruments a successful and promising tool in the rural development area?" - 2014/PAR/0367) The European Parliament requests that:

(i) the Commission encourage Member States to establish a single financial instrument which is able to provide both loans and guarantees, thus increasing its activity and critical mass.

**Commission's response:**

*Under the regulatory framework for 2014-2020 MSs considering establishing financial instruments are required to carry out a thorough ex-ante assessment providing evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported (Article 37 of Reg 1303/2013/EU). Thus the type of financial instruments must be based on such an analysis. The Commission provides assistance to MSs in various forms in order to help the set-up of appropriate financial instruments, such as guidance notes, direct consultations, and a specific technical assistance platform has also been launched in order to facilitate the capacity building and awareness raising in cooperation with EIB: fi-compass (<https://www.fi-compass.eu/>). Fi-compass already organized numerous conferences and workshops, seminars for MSs and other interested stakeholders to share experience and help identifying the potentials of financial instruments. Free of charge targeted coaching has been also made available for Managing Authorities under fi-compass. The intervention by the Commission may however not go beyond these forms of assistance: the choice on the type and number of instruments to set up in the rural development area belongs to Member States.*

131. (§ 330 (j) and § 111 of Part IX – Special Report No 5/2015 of the Court of Auditors entitled "Are financial instruments a successful and promising tool in the rural development area?" - 2014/PAR/0368) The European Parliament requests that:

(j) the Commission set appropriate standards and targets for leverage and revolving effects in order to increase the effectiveness of the financial instruments for the programming period 2014-20.

**Commission's response:**

**- With regard to leverage ratios and data for calculation of the leverage ratios:**

*Article 37(2)c) of Regulation (EU) No 1303/2013 requires an estimation of the expected leverage effect during the performance of the ex-ante assessment for FIs which is required before any decision by a managing authority to make programme contributions to a financial instrument. Point 6 of Article 140 of Reg 966/2012/EU (Financial Regulation) defines the absolute minimum for leverage,*

*namely "Amounts corresponding at least to the Union contribution, or, where applicable, multiples thereof shall be used for the attainment of the specific policy objectives pursued through the financial instrument ..." However, achieving leverage ratios must be balanced with public policy objectives, and since financial instruments are meant to address market failures on the financial market, in duly justified cases the participation of private investors cannot be expected.*

*As provided for in Article 46(2)(h) of Regulation (EU) No 1303/2013 and Article 2 and annex 1 of Commission Implementing Regulation (EU) No 821/2014 of 28 July 2014 managing authorities will report to the Commission the progress in achieving the expected leverage effect.*

*In the case of the so-called off-the shelf financial instruments (standard terms and conditions for financial instruments), the Commission Implementing Regulation (EU) 964/2014 laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council requires minimum financial contributions to the financial instruments from other sources other than the programme contribution intentionally aiming at achieving a higher leverage.*

*The Commission has issued together with the European Investment Bank a General methodology for ex-ante assessment for financial instruments in the 2014-2020 programming period which contains the required steps for the assessment of the expected leverage effects of the instruments when carrying out the ex-ante assessment:*

*[http://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/ex\\_ante\\_voll.pdf](http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/ex_ante_voll.pdf)*

*- With regard to minimum revolving periods*

*This topic is treated in Article 45 of the Regulation (EU) 1303/2013 which requests the minimum revolving period to be at least eight years after the end of the eligibility period.*

## **Global Europe**

132. (§ 339 - 2014/PAR/0369) The European Parliament asks the Commission to provide an up-to-date report on the state of these projects (projects which are either facing some delays in their implementation or where risks exist that they will not reach one or more of their initially set objectives) and calls on it to include neighbourhood policy aid programmes in that report.

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

*The Commission is currently developing actions to address the observed situation as regards payments and project implementation and envisages to implement these actions by the end of 2017 / beginning of 2018.*

133. (§ 342 - 2014/PAR/0370) The European Parliament recalls that Parliament requested that the Commission present the measures taken to improve the performance of Union delegations as regards financial planning and resource allocations, financial administration and auditing and to provide the conclusions it has drawn from the EAMR with the EAMRs to Parliament.

**Commission's response:**

*The Commission is taking the requested action.*

*The analysis of the KPI results for the year 2015, including measures to be taken in 2016 for improving the performance of EU Delegations with regards to financial planning and resource allocations, financial administration and auditing, was annexed to the 2015 Annual Activity Report (AAR) of DG DEVCO. The conclusions drawn by DG DEVCO from the EAMRs as regards the assurance are also presented in the AAR. The 2015 AAR is available on [http://ec.europa.eu/atwork/synthesis/amp/mplans2015\\_en.htm](http://ec.europa.eu/atwork/synthesis/amp/mplans2015_en.htm). A copy of all the 2015 EAMRs have already been transmitted by DG DEVCO to the European Parliament (Ref.: Ares(2016)2308804 - 18/05/2016).*

134. (§ 349 - 2014/PAR/0371) The European Parliament insists that the Commission use the EAMR to address the identified shortcomings, so that ongoing projects meet the objectives initially set; expects the Commission to ensure that external assistance projects are planned within a realistic time frame so as to decrease the share of delayed projects; expects the Commission to report to the Parliament on corrective action to redress the situation in delegations with serious implementation problems.

**Commission's response:**

*The Commission is currently developing an action plan to address the observed situation as regards payments and project implementation. The Commission envisages to implement the requested actions by the end of 2017.*

135. (§ 352 - 2014/PAR/0372) The European Parliament expresses concern at the Union's management of external assistance in third countries; points out that every second euro is paid late (at the time of the last report, this affected 805 projects), every third euro failed to reach its intended target (affecting 610 projects) and that both of the failings apply to every fourth euro (affecting 500 projects); is concerned that with regard to budget support almost one fifth (18,5 %) of the measures are late and fail to reach the objectives, and almost half of the EDF projects have the same implementation problems; is concerned that projects that are experiencing problems are visited less frequently than those without problems; asks the Commission to provide an up-to-date report on the state of these projects and calls on it to include neighbourhood policy aid programmes in this report.



**Commission's response:**

*The Commission is currently developing actions to address the observed situation as regards payments and project implementation and envisages to implement these actions by the end of 2017 / beginning of 2018.*

136. (§ 361 - 2014/PAR/0373) The European Parliament points out that the budget support transactions examined by the Court were free from errors of legality and regularity; takes the view, however, that the Commission should introduce consistent monitoring of funds allocated in the form of budget support, including systematic checks on compliance with the conditions governing eligibility for this type of support.

**Commission's response:**

*The requested action has been taken.*

*The Commission services always examine very carefully the compliance with the eligibility criteria, attainment of possible performance indicators as well as any possible relevant other question before disbursing budget support funds. The overall execution of funds is constantly monitored and an annual report on the Financial Implementation, Risk Analysis, and Selected Macroeconomic, Fiscal and Developmental Results is produced. This report is also transmitted to the European Parliament and to the Council.*

137. (§ 368 (a) - 2014/PAR/0374) The European Parliament concludes that the Commission should:

(a) follow the Court's recommendation to set up and implement internal control procedures to ensure that pre-financing payments are based on actual expenditure, and to strengthen the ex-ante controls for grant contracts, including the use of risk-based planning and systematic follow-up visits.

**Commission's response:**

*The Commission is taking the requested action:*

*- The rules for the clearing of pre-financings has been clarified in the DG DEVCO Companion, insisting on the obligation for the clearings to be based on actual expenditure.*

*- EU Delegations and DG DEVCO operational services now have to complete and update a "Monitoring and Evaluation Plan" (MEP) which is annexed to the EAMR. The planning should be based on a risk analysis carried out by each EU Delegation or HQ operational unit on its overall portfolio of projects and programmes. As from January 2016, the EAMR also contains a new indicator regarding the coverage of projects flagged as problematic by monitoring and evaluation activities.*

*- With respect to project monitoring, DEVCO has also introduced an overall reform of the ROM system, for the part of the external support to DEVCO in relation to project monitoring, in spring 2015.*

*- For the internal monitoring part of the project monitoring systems, it is referred to the development of a new operational information management system (replacing CRIS) of which the first release scheduled for 2017 is to be for results management.*

138. (§ 368 (b) - 2014/PAR/0375) The European Parliament concludes that the Commission should:

(b) reflect the current and sharply changing set of priorities to provide efficient Union financial support to follow not only the territorial aspects (Ukraine, Turkey, Western Balkan, Eastern Partnership countries among others), but simultaneously also the thematic ones.

**Commission's response:**

*EU financial assistance is programmed in a balance between geographic and thematic support. The recently revised neighbourhood policy includes the negotiation of joint partnership priorities, which is ongoing and which will be reflected in the programming of ENI. For enlargement, the IPA II regulation foresees a mid-term review of the Indicative Strategy Papers in 2017. These ongoing and upcoming processes allow for adapting the balance between geographic and thematic programming as appropriate.*

139. (§ 369 - 2014/PAR/0376) The European Parliament requests that the Commission set up and implement internal control procedures to ensure that pre-financing is cleared on the basis of actual incurred expenditure not including legal commitments.

**Commission's response:**

*The requested action has been taken.*

*The Commission has clarified in the DG DEVCO Companion (in the accounting manual, point 11.5.1) the rules for the clearing of pre-financings, insisting on the obligation for the clearings to be based on actual expenditure not including legal commitments.*

140. (§ 371 (a) - 2014/PAR/0377) The European Parliament asks the Commission to:

(a) provide the Parliament every year with a global assessment of the EAMR.

**Commission's response:**

*The Commission is taking the requested action.*

*The analysis of the KPI results for the year 2015, including measures to be taken in 2016 for improving the performance of EU Delegations with regards to financial planning and resource allocations, financial administration and auditing, was annexed to the 2015 Annual Activity Report (AAR) of DG DEVCO. The conclusions drawn by DG DEVCO from the EAMRs as regards the assurance are also presented in the AAR. The 2015 AAR is available on [http://ec.europa.eu/atwork/synthesis/amp/mplans2015\\_en.htm](http://ec.europa.eu/atwork/synthesis/amp/mplans2015_en.htm)*

141. (§ 371 (b) - 2014/PAR/0378) The European Parliament asks the Commission to:

(b) indicate in the annual activity reports of DG DEVCO and DG NEAR the measures it has taken to redress the situation in the delegations with implementation problems, to shorten the delays in budget support and to simplify the programmes.

**Commission's response:**

*The Commission is taking the requested action.*

*The analysis of KPI results for the year 2014, annexed to the Annual Activity Report of DG DEVCO, provides for action plans to be elaborated by the Delegations which met targets for less than 60% of the KPIs. These action plans were transmitted to the European Parliament (ref. Ares(2015)4861339 - 05/11/2015).*

*The DG DEVCO AAR 2015 is available on [http://ec.europa.eu/atwork/synthesis/amp/mplans2015\\_en.htm](http://ec.europa.eu/atwork/synthesis/amp/mplans2015_en.htm)*

## Administration

142. (§ 374 - 2014/PAR/0379) The European Parliament requests that all Union institutions and agencies implement Article 16 of the Staff Regulations by publishing, on an annual basis, information about senior officials who have left the Union administration, as well as a list of conflicts of interest; requests that the aforementioned independent structure assess the compatibility of post-Union employment or the situation whereby civil servants and former Members of the Parliament move from the public to the private sector (the 'revolving door' issue) and the possibility of a conflict of interest, and define clear cooling-off periods, which should cover at least the period for which transitional allowances are granted.

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

*The Commission fulfils its statutory obligation to publish information about senior managers who engage in lobbying or advocacy activities each year.*

*The Commission considers that the current ethical framework is sound and does not require an additional structure to assess former servants moving to the private sector.*

*Conflicts of interest are assessed on their own merits. No cooling off period can be fixed in advance. Proper assessments require case-by-case analysis of the situation.*

*In assessing each case the Commission takes due account inter alia of the freedom to choose an occupation and the right to engage in work (Art. 15 EU Charter Fundamental Rights).*

143. (§ 375 - 2014/PAR/0380) The European Parliament points out that five former officials were employed as special advisors in 2014 and received remuneration in one case for 43 weeks in two other cases for 30 weeks; asks the Commission to provide further information on why the original contracts were not prolonged instead of paying the above-mentioned former officials on a daily basis, whether those original contracts were taken into account and if so how, and whether pensions were paid at the same time.

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

*The five persons concerned were already retired as officials when they were called upon to work as Special Advisers. An extension of their activity as officials was therefore excluded.*

*The conclusion of the Special Adviser contract did not entail a reduction of their pension.*

144. (§ 376 - 2014/PAR/0381) The European Parliament calls on the Commission to present a transparent report with annual indications of the planned reduction in posts and to take account of the increase in working time in this.

**Commission's response:**

*In the framework of the annual budgetary procedure, in line with the Financial Regulation Article 38(3)(b) the Commission submits to the Parliament comprehensive detailed information on its human resources which includes information on the annual implementation of the 5% cut (Draft Budget Working Document Part II 'Human Resources' [http://ec.europa.eu/budget/library/biblio/documents/2016/DB/DB2016\\_WDII\\_en.pdf](http://ec.europa.eu/budget/library/biblio/documents/2016/DB/DB2016_WDII_en.pdf)).*

*Further information on the implementation of the 5% reduction target is also included yearly in the Political presentation of the Statement of estimates (see latest SEC(2015)240; <http://eurlex.europa.eu/budget/data/DB/2016/de/SEC00.pdf>).*

145. (§ 378 - 2014/PAR/0382) The European Parliament invites the Commission to ensure that every Union institution implements rules on the protection of whistle-blowers; calls the Commission to promote legislation on the protection for whistle-blowers in the Union.

**Commission's response:**

*The Commission rejects the first part of the request as the various EU institutions are administratively autonomous; as such, the Commission cannot oblige the other institutions to adopt internal rules.*

*The Commission accepts the second part of the request. With a view to strengthening the protection of whistle-blowers, the Commission is assessing the scope for and added value of horizontal action at EU level, covering both public and private sector whistleblowing, while respecting the principle of subsidiarity.*

146. (§ 379 (first part) - 2014/PAR/0383) The European Parliament demands that all those Union institutions and agencies that have not yet done so urgently adopt internal rules on whistle-blowing and take a common approach to their obligations, focusing on the protection of whistle-blowers; requests special attention for the protection of whistle-blowers in the context of the Directive on the Protection of Trade Secrets.

**Commission's response:**

***The various EU institutions are administratively autonomous; as such, the Commission cannot oblige the other institutions to adopt internal rules.***

147. (§ 379 (second part) - 2014/PAR/0384) The European Parliament calls on the Commission to promote legislation on a minimum level of protection for whistle-blowers in the Union.

**Commission's response:**

***With a view to strengthening the protection of whistle-blowers, the Commission is assessing the scope for and added value of horizontal action at EU level, covering both public and private sector whistleblowing, while respecting the principle of subsidiarity. Awaiting the outcome of this assessment, the Commission welcomes the promotion and adoption of legalisation on a minimum level of protection for whistle-blowers by the Member States.***

148. (§ 379 (third part) - 2014/PAR/0385) The European Parliament calls on the institutions and agencies to amend the Staff Regulations to ensure that they not only formally oblige officials to report irregularities of all kinds but also lay down adequate protection for whistle-blowers; calls on the institutions and agencies to implement Article 22(c) of the Staff Regulations without delay.

**Commission's response:**

***Ensuring the protection of whistleblowers does not require a change of the Staff Regulations: Article 22c of the Staff Regulations already refers to the need to include adequate protection in the implementing rules.***

***The Commission adopted such implementing rules in December 2012.***

149. (§ 380 - 2014/PAR/0386) The European Parliament expresses concern at the number of suicides among staff; takes the view that the Commission should carry out a thorough assessment of staff well-being, in an effort to halt the suicides.

**Commission's response:**

***In response to a staff satisfaction survey in 2014, a multiannual, comprehensive health and well-being "Fit@Work" programme was launched in 2015 to keep staff fit and healthy in a health-conducive environment. The programme recognizes mental health as a key priority and aims to mainstream mental health issues, encourage staff and managers to recognise and address such issues with an open,***

*preventive and proactive attitude. It also aims to cultivate over time an individual and collective corporate responsibility and resilience.*

*A special focus is put on prevention of psychosocial risks:*

- *risks assessment*
- *training and awareness raising, dedicated guidelines for managers*
- *conferences on topic such as burnout, depression, resilience*
- *individual and group interventions, including ad-hoc debriefing after traumatic events.*

*The staff satisfaction survey in 2016 will provide a more detailed assessment of staff well-being, which will allow guiding the Fit@Work strategy accordingly.*

*The Commission has already given awareness training on the prevention of psychosocial risks to 600 middle managers in the Commission. This training program will be gradually extended to staff members. In addition, a steering committee will be put in place to coordinate the efforts of prevention amongst the various actors (medical services, working environment and safety, network of confidential counsellors, mediator, ...). In the context of the new HR delivery model, the "single entry point" function will provide extensive information on psychosocial risks and channel people needing assistance to the most suitable actor. The Joint Committee on Occupational Safety is closely involved in all these actions, ensuring that staff representatives are fully informed and can contribute to this extensive programme of actions.*

150. (§ 384 - 2014/PAR/0387) The European Parliament considers the immunity of Union staff from criminal proceedings in Member States, which dates back 64 years, to be a privilege that has long been obsolete; calls for this privilege under the Protocol to the Treaty to be confined to Union staff in countries outside the EU.

**Commission's response:**

*The Protocol does not apply in third countries. Immunities in third countries are based on the Vienna Convention on Diplomatic Relations of 1961.*

151. (§ 388 - 2014/PAR/0388) The European Parliament considers that a distinction should be made between elected representatives and public officials in the legislation on conflicts of interest; believes that there should also be such regulations in the Member States for public officials and civil servants involved in the administration and monitoring of Union subsidies; calls on the Commission to submit a draft legal basis on this matter.

**Commission's response:**

*Regarding conflicts of interests at the level of the Member States, the Financial Regulation and other EU legal provisions foresee the obligation for them to take the necessary measures to avoid conflicts of interest, and to report to the Commission on the systems put in place to ensure their avoidance. A legally binding EU solution on the measures to be taken is not foreseeable as the avoidance of conflicts of interest at national level falls under the competence of Member States.*

152. (§ 390 - 2014/PAR/0389) The European Parliament calls on the Commission to review the code of conduct for Commissioners by the end of 2017, including by defining what constitutes a "conflict of interest" as well as introducing criteria for assessing the compatibility of post-office employment and extending the cooling off period to three years for Commissioners; calls on the Commission to ask from Member States that they clearly indicate any potential conflicts of interests of their candidate member of the Commission and explain how conflicts of interests are defined in their national legislation.

**Commission's response:**

*The President of the Commission allocates the envisaged portfolios after due consideration of possible risks of conflicts of interests. The whole procedure, including the prior publication of declarations of interest before the public hearings organised by the EP, are designed to rule out conflicts of interest. After nomination, the Code requires updates to declarations of interest and possible conflicts of interest must be notified to the President in advance. A review of the Code would only be envisaged if and when necessary.*

153. (§ 391 - 2014/PAR/0390) The European Parliament Requests that the Commission pay particular attention in this regard to the prevention of conflicts of interest and corruptive practices in the case of decentralised agencies, which are particularly vulnerable considering the fact that they are relatively unknown to the public and are also located throughout the Union.

**Commission's response:**

*While the agencies are administratively autonomous bodies, the Commission has provided support in strengthening the capacity of the agencies to handle suspected cases of conflicts of interests and other irregularities. The Investigation and Disciplinary Office of the Commission (IDOC) has provided, and continues to provide, ad-hoc procedural advice and has given training on how to handle the relevant proceedings. It has also provided support in setting up an inter-agency pool of case handlers, to be trained by IDOC, that agencies may call upon to help conduct such proceedings.*



154. (§ 392 - 2014/PAR/0391) The European Parliament calls upon the Commission to proactively publish the opinions of the ethical committee in accordance with Regulation (EC) No 1049/2001 in order to let, the public hold the Commission accountable for the decisions it makes; reiterates its recommendation that the ad hoc ethical committee be reformed to extend its powers and include independent experts.

**Commission's response:**

*The Commission rejects the request to publish the opinions of the ethical committee. In accordance with Regulation 1049/2001, the Commission gives access to the documents requested, but commercial or personal data are made anonymous. The members of the Ad hoc Ethical Committee are independent experts which deliver opinions to the Commission. Therefore, the Committee does not have "powers" as such. The Commission is however fully accountable and transparency is ensured: [http://ec.europa.eu/transparency/ethics-for-commissioners/decisions\\_en.htm](http://ec.europa.eu/transparency/ethics-for-commissioners/decisions_en.htm)*

155. (§ 394 - 2014/PAR/0392) The European Parliament calls on the Commission to publish the declarations of interest in an open, machine-readable format.

**Commission's response:**

*Declarations of interest are published in a commonly used PDF format which is perfectly adapted to transparency and enables public scrutiny.*

156. (§ 398 - 2014/PAR/0393) The European Parliament calls on the Commission to incorporate a clause in all future Union laws on payments to the effect that businesses owned by office-holders in Union Member States and in third countries may not apply for or receive any Union funding.

**Commission's response:**

*Regarding conflicts of interests at the level of Member States, the Financial Regulation establishes the obligation for them to take the necessary measures to avoid conflicts of interests, and to report to the Commission on the systems put in place to ensure their avoidance. A legally binding EU solution is not foreseeable as the avoidance of conflict of interest lies at national level. Under the Financial Regulation, such cases of conflicts of interests can give rise to exclusion from EU funds on grounds of grave professional misconduct.*

157. (§ 401 - 2014/PAR/0394) The European Parliament calls on the Commission to expand the recording of meeting data with lobbyists to everyone involved in the Union's policy-making process by requesting from their DGs regular reports on the

meetings taking place within their respective services and by putting this information in an easily accessible manner on the Commission's website.

**Commission's response:**

*It has been consciously decided to limit the scope of the recording and reporting provisions to the top decision-makers at the political and at the civil-service level. The reason behind this policy choice is the special role and responsibilities allocated to the persons holding such positions. The Commission believes that extending the reporting requirements to all staff would create an additional administrative burden without bringing proportionate added-value.*

*As of 1 December 2014, Commissioners, their Cabinet members and Directors General publish information on the meetings they hold with lobbyists. Moreover, they meet only with interest representatives whose organisations feature on the Transparency Register. These arrangements ensure full transparency regarding meetings of the top decision-makers at the political and at the management level. As concerns other staff members, the Commission recommends to all staff to check the credentials of a given interest representative to make sure they are registered in the Transparency Register and, if they are not, encourage them to register. The Commission constantly promotes this "good practice" as part of its training and awareness-raising actions on relations with interest groups.*

158. (§ 403 - 2014/PAR/0395) The European Parliament welcomes the publication of a list of senior officials leaving the Commission and calls on the Commission to include all members of the Cabinet in the definition of senior officials.

**Commission's response:**

*The statutory obligation of Art 16, para 3, is applicable to senior officials as this transparency measure is proportionate in terms of the functions and responsibilities of the former staff member. Not all Cabinet staff however perform functions that are commensurate with this provision as they are not senior officials. The Heads of Cabinet are considered as senior officials.*

159. (§ 404 - 2014/PAR/0396) The European Parliament urges the Commission to follow up on the Ombudsman's recommendations against conflicts of interest in expert groups and to postpone the adoption of new horizontal rules, until the Parliament has been able to express its opinion on the basis of the ongoing work on a joint CONT-JURI own-initiative report.

**Commission's response:**

*The new framework for Commission expert groups accommodates virtually all Ombudsman's suggestions as regards conflict of interest.*

*To the Commission's knowledge, the Parliament has not pursued the preparation of its own-initiative report on expert groups.*

**Others**

160. (§ 408 - 2014/PAR/0397) The European Parliament asks for an update about the ongoing cooperation with the International Management Group (IMG) and for information from the Commission in particular about ongoing and new contracts and payments.

**Commission's response:**

*The requested action has been taken.*

*For DEVCO, projects were in general delivered in a satisfactory manner, as several audits have confirmed. DEVCO has two open contracts with IMG at present. The contract signed in 2013 for "Strengthening Democratic Governance in the Republic of South Sudan" arrived to the end of its implementation period in April 2016.*

*Regarding the contract on "Strengthening policy development to meet MDGs in Myanmar", signed in 2012, all activities agreed were performed. The project final narrative report was timely received and approved in August 2016 and the final payment request is currently being treated.*

*Since March 2014, no new contracts have been entered into with this organisation neither under the special procedure applicable to International Organisations under the indirect management of funds (and this until IMG further clarifies its legal status), neither under the standard procurement and grant procedures under direct management (even though IMG remains actually eligible).*

*Regarding the three contracts with IMG in indirect management managed by FPI, all activities have been concluded and final reports received, with the exception of one contract for which the final financial report is still due. FPI has executed payments on interim reports with financial prudence, by applying a retention on the amounts contractually due corresponding to the estimated overstatement of the human resource expenses identified by a verification mission performed in 2014. Pending outcome of a further verification, the interim payments will be regularised and final payments or recoveries performed. In relation to one contract, FPI has issued a recovery order which was subsequently offset by the Accounting Officer. No new contracts have been signed with IMG.*

*For DG NEAR, since January 2014, no new contracts have been entered into with IMG. Currently NEAR had two contracts in Indirect Management, both relating to projects in Libya. One of them was terminated due to force majeure (owing to the difficult political situation in Libya) and a recovery order of €2.7 million was issued in November 2015. The second one is fully implemented i.e. activities terminated, the final report has been issued and a recovery order has been issued and cashed for the remaining balance. Following a verification mission where final report was issued in July 2016, further actions may be taken on these two contracts. DG NEAR also manages 2 service contracts in direct management, one in Libya (activities are finished and a financial audit ongoing) and one in Lebanon where activities are ongoing. It can be expected that payments under the Lebanon contract will still be made, following appropriate verifications.*

161. (§ 409 - 2014/PAR/0398) The European Parliament calls for clarification as to which unfinished Greek Union projects can no longer be funded after 31 December 2015; calls for clarification as to what is to happen with each of these projects.

**Commission's response:**

*Any expenditure incurred after 31/12/2015 for the completion of the projects 2007-2013 is covered by national funds. However, some projects will be entirely transferred or phased for co-financing under the programming period 2014-2020. The clear picture for each category of projects will be available when the closure documents for the programmes 2007-2013 are submitted to the Commission by end March 2017.*

162. (§ 411 - 2014/PAR/0399) The European Parliament calls on the Commission to take appropriate measures and on OLAF to continue and accelerate its analysis of the reasons why Member States do not follow up alleged cases, to provide the Parliament with its findings in this respect and to continue to support the Member States in improving their performance in the prevention and detection of fraud against European funds.

**Commission's response:**

*There is no systematic reporting done by the Member States (such a measure was rejected by the co-legislators during the negotiations which took place prior to the adoption of Regulation 883/2013), although Regulation 883/2013 introduced a provision obliging the Member States authorities to provide information on actions taken when so requested by OLAF.*

*OLAF is currently analysing more in detail the follow-up given to its judicial recommendations. The Parliament will be informed of the results when ready.*

***The evaluation of Regulation 883/2013 which is due for October 2017 will also provide an opportunity to assess whether there is a need to improve the reporting system and what could be done in this respect.***

163. (§ 412 - 2014/PAR/0400) The European Parliament notes that 2014 was the first year in which the Supervisory Committee has decided to follow-up on the recommendations previously issued; calls on OLAF and the Supervisory Committee to repeat this exercise on a yearly basis.

**Commission's response:**

***OLAF regularly reports to the SC on the implementation of the SC recommendations. The last report by OLAF was transmitted to the SC on 15 January 2016 and is available on OLAF's website. A next report can be expected in early 2017.***

164. (§ 413 - 2014/PAR/0401) The European Parliament urges OLAF to implement the recommendations on the direct participation of the Director General in investigations, as Article 7(1) and (2) of regulation No 883/2013 clearly stipulates that investigations are to be conducted by staff appointed by the Director General and not by the Director General himself, as this may create investigations with conflicting objectives.

**Commission's response:**

***OLAF has always carefully assessed and implemented where possible the SC recommendations. This recommendation refers to a specific case from 2012 on which OLAF has provided extensive clarifications to the SC. OLAF considers the matter closed.***

***OLAF's reporting on the implementation of the SC recommendations is available on OLAF's website.***

165. (§ 415 - 2014/PAR/0402) The European Parliament is strongly convinced that the supervisory committee should be informed of all dismissed cases in which information has been transmitted to national judicial authorities, in accordance with Article 17(5) of Regulation No 883/2013, in order to protect the procedural guarantees of the persons concerned with the allegations; demands from OLAF to implement the Supervisory Committee's recommendation as soon as possible.

**Commission's response:**

*OLAF has always carefully assessed and implemented where possible the SC recommendations. This recommendation has been submitted for consultation to the three Legal Services of the Institutions in the context of the discussions on the Working Arrangements between OLAF and the SC. The consultation of the Legal Services is ongoing.*

166. (§ 416 - 2014/PAR/0403) The European Parliament notes that OLAF closed in 2014 a total of 307 investigations and coordinated activities; that in 147 of these investigations OLAF issued a recommendation, yielding a follow-up rate of 47 %; notes that in years prior to 2011, the rate was regularly above 50 %; expects that OLAF undertake measures to restore its effectiveness permanently by improving its selection procedure; is of the opinion that OLAF should reconsider recommendation No 31 of the supervisory committee to increase its effectiveness.

**Commission's response:**

*The figures mentioned in the recommendation do not come from the OLAF Report 2014 and it has not been possible to establish the source of these figures.*

*OLAF is effective in its investigative function and the dedicated selection procedure functions very efficiently in light of the considerable amount of incoming information to OLAF. The Office continuously seeks to further improve its selection process.*

167. (§ 417 - 2014/PAR/0404) The European Parliament notes the joint efforts of OLAF and the Supervisory Committee to reach an agreement on new working arrangements; reiterates its call relating to the 2013 budget for a speedy resolution of the remaining issues between OLAF and its Supervisory Committee, so as to enable them to fulfil their legal duties effectively under the conditions of their current limited cooperation; calls on the Commission fully to play its role and to actively work on a long-term solution to be put in place without delay.

**Commission's response:**

*The Legal Services of the three Institutions are currently involved in the discussions on the revision of the working arrangements between OLAF and the SC with the aim of clarifying the interpretation to be given to the legal provisions concerning the Supervisory Committee's access to OLAF's documents. To avoid any appearance that OLAF can impair the functioning of the support to the SC Members, the Commission has also proposed to amend the Regulation 883/2013 to separate the SC Secretariat and its budget from OLAF.*

168. (§ 420 - 2014/PAR/0405) The European Parliament urges OLAF to grant the Supervisory Committee access to documents that the Supervisory Committee deems necessary to fulfil its task in accordance with its remit within the legislative mandate.

**Commission's response:**

*When regularly reporting to the SC or replying to the Committee's requests, OLAF applies the agreed Working Arrangements and the applicable legislation. OLAF has provided to the SC great amount of information and based on this information, the SC has been able to conduct several analyses and has for example delivered four Opinions and one Special Report in 2015.*

169. (§ 423 - 2014/PAR/0406) The European Parliament urges OLAF to draw up internal rules on whistleblowing in accordance with the new 2014 Staff Regulations.

**Commission's response:**

*The Commission considers that appropriate measures are already in place. The Commission Guidelines on Whistleblowing (SEC(2012) 679) apply to OLAF. These Guidelines cover confidentiality, reporting procedures, the protection of whistleblowers, feedback to the whistleblower and guidance and support to the whistleblower.*

*In addition to this, OLAF has also adopted on 27 July 2015 a specific procedure in the context of EU staff members reporting in accordance with Articles 22a and 22b of the Staff Regulations. This procedure clarifies OLAF's internal procedure (including confidentiality), the protection against retaliation and the role of the ethics officer.*

170. (§ 425 - 2014/PAR/0407) The European Parliament requests that OLAF provide in its next annual report detailed information on the type of investigation and results in all sectors.

**Commission's response:**

*OLAF strives to ensure that the information in the OLAF Report is relevant to the needs of readers and will consider this recommendation and ways to include the data requested in its following Annual Reports.*

*The OLAF Report 2015 presented information on its investigative activity by sector: in particular, on-going investigations by sector (figure 10), amounts recommended for recovery by sector (figure 14), investigations concluded (figures 18; 24). The report furthermore presented data on the implementation of OLAF*

*recommendations by the relevant authorities as well as a number of illustrative case studies spanning several sectors.*

171. (§ 427 - 2014/PAR/0408) The European Parliament stresses that the agreements concluded with the "big four" tobacco companies (Philip Morris International, British American Tobacco, Japan Tobacco International, and Imperial Tobacco Limited) do not address important characteristics of the illicit tobacco trade today, in particular the high proportion of the trade that is now made up of 'cheap whites'; calls on the Commission, to come forward with an action plan setting out new measures to tackle this problem as a matter of urgency.

**Commission's response:**

*The Commission is aware of the growing problem of so-called 'cheap whites' on the illicit tobacco market in the EU. This issue also featured prominently in the Commission's 2013 Strategy Paper. In addition to the existing Strategy, the Commission continues its reflections on other possible tools to combat cheap whites. The Commission is due to present a report on implementing the 2013 Strategy later this year. This report is set to discuss lessons learned with regard to the phenomenon of cheap whites. On this basis, the Commission considers to propose further measures in 2018.*

172. (§ 430 - 2014/PAR/0409) The European Parliament urges the Commission to put in place, at Union level and by the date of expiry of the PMI agreement, all the necessary measures to track and trace PMI tobacco products, and to bring legal action for any illegal seizures of this manufacturer's products until all provisions of the Tobacco Products Directive are fully enforceable, so that there is no regulatory gap between the expiry of the PMI agreement and the entry into force of the TPD and FCTC.

**Commission's response:**

*The Commission supports strengthened enforcement and legal actions on any seizure of this manufacturer's products.*

173. (§ 432 - 2014/PAR/0410) The European Parliament calls on the Commission to bring forward a new, additional regulation establishing an independent track-and-trace system and applying due diligence ('know your customer') provisions to raw cut tobacco, filters and papers used by the tobacco industry, as an additional tool to combat contraband and counterfeit products.



**Commission's response:**

*The Commission partially accepts the EP recommendation. It considers that exercising a more stringent control of some of the input materials used for cigarette manufacturing could serve as a useful tool in combatting the illicit trade in tobacco. However, the practical implementation of such system, its regulatory basis as well as the role of all relevant stakeholders merits careful analysis. Building also on lessons learned from the Implementation report of the Commission's 2013 Strategy Paper additional legislative measures require further analysis.*

174. (§ 433 - 2014/PAR/0411) The European Parliament regrets the delay in the Commission's assessment of tobacco agreements; calls on the Commission to provide this as soon as possible, outlining the results of the investments made using the money paid by tobacco companies under these agreements.

**Commission's response:**

*The assessment of the PMI tobacco agreement was transmitted to the EP on 24 February 2016.*

175. (§ 435 - 2014/PAR/0412) The European Parliament urges all the relevant Union institutions to implement Article 5.3 of the WHO FCTC in accordance with the recommendations contained in the guidelines thereto; urges the Commission to publish immediately the assessment agreements with tobacco companies and an impact assessment on the implementation of the WHO FCTC.

**Commission's response:**

*As regards the implementation of Article 5.3 of the WHO Framework Convention on Tobacco Control (FCTC), the Commission points out that the EU and all Member States are parties to the WHO FCTC and implement it according to their respective competence areas (cf. also the reply to the Ombudsman in case 2014/0852 on 29.1.2016). Concerning the point on the assessment agreements with tobacco companies, it refers to the Commission staff working document SWD(2016)44 of 24.2.2016. As the FCTC is already adopted and is currently implemented, an impact assessment, being a prospective assessment, of the FCTC implementation is not foreseen.*

176. (§ 439 - 2014/PAR/0413) The European Parliament recalls that the Parliament in its 2010 Commission discharge procedure had already questioned "the decision-making and financing structures of the Convention on the European Schools"; and had demanded that the Commission "explore with the Member States a revision of that Convention and [...] report by 31 December 2012 on the progress made"; notes that no progress report was ever received by Parliament.

**Commission's response:**

*To follow-up on the EP recommendation in the 2010 discharge the Commission requested that all the Member States, contribute to the debate on cost-sharing and governance. The issue was discussed at the Board of Governors in 2012, but the debate was rather inconclusive as regards the governance and the intergovernmental system/revision of the Convention. The conditions for changing the Convention were thus not met and therefore, the Commission concluded that any required changes should be made within the framework of the existing Convention.*

*More recently the Commission took a variety of measures to address the Court of Auditors recommendations on the ES system. Indeed, to address the problems exposed by the Court and by the IAS, there is no need to change the Convention at all. The Board of Governors is empowered to take the decisions required for change and could enforce improved financial governance under the existing Convention.*

177. (§ 441 - 2014/PAR/0414) The European Parliament calls on the Commission to report on the progress made by the European Schools in implementing the Court's recommendations and the Commission's action plan by 1 July 2016.

**Commission's response:**

*The ES are governed by an intergovernmental cooperation agreement between the Member States (MS) and the European Union. The Contracting parties are the MS and the Commission (COM). The COM as the Member States has 1 seat and 1 vote on the Board of Governors (BoG) that supervises the implementation of the Convention. The Secretary General (SG) of the ES manages and ensures the performance of the ES system as a whole. He is responsible for the representation of the BoG and is accountable to it for the management and operation of the ES system.*

*The Schools are autonomous and the Directors of the schools are directly appointed, by the BoG, as Authorising officers and are accountable to the BoG for the functioning of their respective School (idem for the SG regarding the functioning and the management of the SG Central Office).*

*In this context, the SG of the ES should be associated to any reporting on the functioning of the ES system.*

*A follow-up of the audit recommendations and their implementation is presented twice a year to the Budgetary Committee (BC) of the ES and to the BoG. Any new action plan shall be adopted by the BoG.*

*The next reporting will be presented by the SG of the ES to the BC and to the BoG in November and December.*

*By consequence, the COM proposes that the report on the implementation of the Court's recommendations to be made by the COM and the SG of the ES to the European Parliament be presented in December 2016 (and not in July.)*

178. (§ 443 - 2014/PAR/0415) The European Parliament calls on the Commission in its function as major financial contributor to ensure that Euronews respects the principles of sound financial management and all legal agreements with the Commission including the binding charter on editorial independence.

**Commission's response:**

*Euronews has implemented new measures to ensure its editorial independence following the acquisition of a majority stake by the private company Media Global Networks. These measures include the setup of a new created Editorial board with an independent president holding a veto right on editorial issues, as well as annual transparency reports on editorial production and an external monitoring to assess the editorial production. In addition, the Commission carries out audits and evaluations to monitor the channel's performance and its compliance with the financial rules and legal agreements. A performance audit is currently ongoing to assure that Euronews is honouring its commitments with the European Commission.*

**General results and policy recommendations**

179. (§ 445 (a) - 2014/PAR/0416) The European Parliament considers that the 2014 discharge calls on the Commission and the other relevant actors to continue to develop an appropriate methodology and framework to pursue the performance approach further and with greater rigour.

**Commission's response:**

*The Juncker Commission aims to develop a stronger performance culture in relation to the EU budget. One of its top priorities is to ensure that the budget focuses on delivering tangible results for the benefit of citizens.*

*To pursue such priority a network of Commissioners has been established to provide the political steer leadership and coordination for action to improve the performance of the budget and ensure value for money. In its first meeting held on 4 March 2015, the network endorsed a common approach to analyse and improve the budget implementation cycle, through four fundamental axes:*

*- in which areas is the EU budget invested?*

*- how is the EU budget invested?*

*- how are the implementation and performance of the EU budget monitored and assessed?*

*- how the result and contribution of the EU Budget is communicated?*

*In order to validate the performance framework in place for the EU budget and identify possible avenues for improvements the Commission has been working closely with the OECD who possesses top expertise in the field of performance-based budgeting. The results of this cooperation should be available by the end of 2016. For the same purpose a series of expert meetings has been organised on performance-based budgeting where the Commission is pooling the expertise from the Member States, international organisations and the European Parliament. The experts are looking at the theoretical aspects of PBB, using performance indicators etc., but also discussing how this is implemented in practice within the performance framework of the EU budget and how it compares to national practices. The overall aim of the exercise is to identify the most useful elements of performance-based budgeting that might be applicable to the EU budget. In addition communication and dialogue with different stakeholders have been enhanced via the annual conference on EU Budget Focused on Results and the EU Results Web tool.*

180. (§ 445 (d) - 2014/PAR/0417) The European Parliament considers that the 2014 discharge calls on the relevant Union institutions to adjust their management and procedural systems to implement successfully new elements coming from current and future Union budgetary needs, to allow the Union budget to realise its potential optimally.

**Commission's response:**

*All Commission departments have been invited to review their control systems in order to ensure that they are risk-based, taking into account their cost-effectiveness and having due regard to the management environment and the nature of the actions financed. By the end of 2015, 25 departments had done so; half had taken measures to improve cost-efficiency while the others concluded that no changes were needed. The remaining departments are expected to implement measures or carry out their review in 2016.*

**Foreign Affairs Committee's opinions**

181. (§ 446 - 2014/PAR/0418) The European Parliament is concerned about the increase in the rate of material error in heading 4 for the 2014 financial year; supports all recommendations made by the Court in its annual report and urges the Commission to follow up swiftly on recommendations from the previous years that are still not fully implemented.

**Commission's response:**

*The requested action has been taken.*

*While the error rate for the 'Global Europe' chapter (heading 4) of the ECA Annual Report increased between the reporting years 2013 and 2014, another decisive factor to determine action plans, the Residual Error Rate (RER), steadily decreased over the reporting years 2012-2015. Nevertheless, it remained above the materiality level which is the reasons why action plans have been drawn up to address the implementation weaknesses of the control framework. The implementation of past recommendations is systematically and closely followed up by the Commission services.*

182. (§ 448 - 2014/PAR/0419) The European Parliament notes with concern the errors identified in the context of expenditure verification for grant contracts, which make up more than 50 % of errors identified by the Court in heading 4; notes that the most significant type of error concerns ineligible expenditures; stresses the importance of preventing or detecting and correcting the errors before accepting the expenditures, through a better implementation of ex ante controls; notes with particular concern Europe Aid's failure to detect errors; urges the Commission to ensure that the efforts made thus far to solve these problems with expenditure verification are intensified and to follow up fully on the recommendation on grant supervision made by the Court in its 2011 annual report.

**Commission's response:**

*The Commission is taking the requested actions.*

*The on-going action plan intended to tackle the weaknesses in the DG DEVCO control system will be further adjusted, as a result of the new reservations made in the AAR 2015 and in the light of the findings of the 2015 RER study, in order to better differentiate the controls put in place and address issues identified in the two high risk expenditure areas, notably grants under direct management mode.*

*With respect to the specific Court of Auditors recommendation relating to grant supervision, a portfolio management dashboard has been put in production in December 2015 to help EU Delegations better screen their portfolio of projects and give priority to visits to projects in particular need of monitoring. Delegations and DG DEVCO operational services also have to complete and update a "Monitoring and Evaluation Plan" (MEP) which is annexed to the EAMR. The planning should be based on a risk analysis carried out by each EU Delegation or HQ operational unit on its overall portfolio of projects and programmes. As from January 2016, the EAMR also contains a new indicator regarding the coverage of projects flagged as problematic by monitoring and evaluation activities.*

*With respect to project monitoring, DEVCO has introduced an overall reform of the ROM system, for the part of the external support to DEVCO in relation to project monitoring, in spring 2015. For the internal monitoring part of the project monitoring systems, it is referred to the development of a new operational information management system (replacing CRIS) of which the first release scheduled for 2017 is to be for results management.*

183. (§ 453 - 2014/PAR/0420) The European Parliament recalls that the efficiency of CSDP training and advisory missions is greatly hampered by the Union's institutional difficulties to accompany these actions with even basic support in terms of equipment; welcomes in this context the efforts made by the Commission to implement the joint communication on capacity-building in support of security and development; calls on the Commission to put forward the necessary legislative proposals for the creation of a dedicated fund as soon as possible, so that it can be included in the Union budget in the course of the mid-term review of the MFF.

**Commission's response:**

*On 5 July 2016, the Commission adopted a proposal for a Regulation of the European Council and the Parliament amending Regulation (EU) No 230/2014 [COM(2016) 447]. The objective of this legislative proposal is to allow the Instrument contributing to Stability and Peace (IcSP) to extend the Union's assistance under exceptional circumstances to be used to build the capacity of military actors in partner countries in order to contribute to sustainable development and in particular the achievement of peaceful and inclusive societies.*

**Development and Cooperation Committee's opinions**

184. (§ 462 - 2014/PAR/0421) The European Parliament invites DG DEVCO to urgently address the various weaknesses in its evaluation and monitoring systems pointed to in the Court's special report specially those related to serious deficiencies of DG DEVCO's evaluation system.

**Commission's response:**

*The Commission is taking the requested action.*

*The systems for strategic evaluations are considered as overall reliable by the Commission even though they could be further improved. Regarding programmes, evaluations systems exist but, in some areas, are not functioning properly. Many improvements have been made since the release of the Court's Special Report on "EuropeAid's evaluation and results-oriented monitoring systems". In relation to monitoring, the Court's Special Report related to the external support system ROM used by the Commission. For ROM, a fully revised system has been put into place as from Spring 2015 and is operational.*

185. (§ 464 - 2014/PAR/0422) The European Parliament calls for the putting in place of formal scrutiny powers in relation to EDF, possibly through an inter-institutional agreement of a binding nature under Article 295 of the TFEU.

**Commission's response:**

*The Commission is not in a position to take the requested action. Formal scrutiny powers of the European Parliament in relation to the EDF depend on the budgetisation of the EDF, which is to be taken up in the elaboration of the Multi-annual Financial Framework after 2020.*

**Employment and Social Affairs Committee's opinions**

186. (§ 470 - 2014/PAR/0423) The European Parliament calls on the Commission to develop result indicators and monitoring systems further in order to compare results with the agreed objectives, to be better informed when establishing future goals and to increase the efficiency of Union spending.

**Commission's response:**

*All legal and implementing basic acts of the spending programmes under the 2014-2020 Multi-annual Financial Framework (MFF) contain performance frameworks defining objectives and setting out indicators to measure progress, as well as monitoring, reporting and evaluation arrangements. Implementation of the performance framework is updated once a year in the working document accompanying the draft budget i.e. the Programme Statements (PS). The annual Management and Performance Report for the EU Budget brings together information on both the performance and management of the EU budget and provides a holistic view of how the EU budget is being used to support the Union's political priorities.*

*In 2016, in the framework of the annual Draft Budget preparation and its Budget Focused on Results initiative the Commission has launched a quality screening of the indicators included in the Programme Statements. The screening process will help selecting the most suitable indicators for reporting on budget performance and communicating to the stakeholders. The Commission will continue this process, which at the later stage should allow streamlining and potentially aggregating information provided by existing indicators.*

*Regarding the ESI Funds, a common Open Data Platform was launched in December 2015 in parallel with the adoption of the "Article 16 Report" (COM(2015) 639). The achievement section of the Open Data Platform presents targets set for selected common output and result indicators. From end 2016 onwards, the Commission will report each year to the Parliament and Council on the progressive achievement of the targets of the ESIF programmes by the means*

*of Summary Reports, and Strategic Reports in 2017 and 2019, as required by the Common Provision Regulation (Regulation 13030/2013) in its article 53.*

187. (§ 472 - 2014/PAR/0424) The European Parliament calls on the Commission to introduce further measures that encourage the active participation of SMEs including the application of the think-small-first principle.

**Commission's response:**

*The Commission agrees on the importance to encourage the active participation of SMEs in Union funding programmes and recalls that considerable efforts have been done in the design of the 2014-2020 programmes. In the context of the mid-term review of the MFF, the Commission proposes further simplification in the Financial Regulation and, when relevant, rules of the various programmes, making easier the participation of small businesses. The Commission also suggests to extend the SME Initiative, allowing the combination of ESIF and Horizon 2020 / COSME funds in new financial instruments, as well as the reinforcement of the SME Window of EFSI.*

188. (§ 473 - 2014/PAR/0425) The European Parliament notes that the intangible nature of investments in human capital, the diversity of the activities and the involvement of multiple, often small-scale partners in the implementation of projects continue to be the main risks to regularity of spending of ESF expenditure; calls on the Commission to continue with specific mitigating actions, including both preventative and corrective measures.

**Commission's response:**

*The Commission accepts the recommendation.*

*When the Commission identifies deficiencies in the management verifications it issues a reservation for the concerned programme and stops the payments. Interruptions and suspensions are incentives for Member States to have good systems in place and to timely take remedial actions, including financial corrections. The Commission uses these legal tools consistently and as soon as serious deficiencies in management verifications are identified.*

*The implementation of preventive and corrective measures such as remedial actions plans, interruptions and financial corrections has led to improvements in the systems of programmes put under reservation. EU payments are resumed only where there is sufficient and reliable evidence that weaknesses had been remedied.*

*The Commission carries out a continuous supervision of high risk programmes after the implementation of the remedial actions. This supervision is meant to ensure that the management and control systems of programmes do not deteriorate*



*again, due for example to staff turnover and staff restrictions in public administrations.*

*On the preventive side, the Commission provides the programme authorities with the necessary guidance (updated guidance for 2014-2020 provided in September) and targeted trainings for each of the implementation phases of the programmes, and on the verification of public procurement or State aid issues. Commission checklists are shared with managing and audit authorities. Sharing good practices between programmes is promoted. The new Peer 2 Peer instrument available to managing authorities will further help on this.*

189. (§ 478 - 2014/PAR/0426) The European Parliament expresses its concerns at the fact that out of 178 transactions examined by the Court in the employment and social affairs policy area 62 (34,8 %) were affected by error, out of which 12 were quantifiable errors exceeding 20 % (6,7%); urges the Commission to implement corrective measures and apply strict procedures to reduce the risk of irregularities in this policy area as well as to follow up the cases of ineligible expenditure identified by the Court.

**Commission's response:**

*The Commission accepts this recommendation.*

*The Commission notes that the error rate calculated for 2014 by the Court is within the range it has reported since 2011 and remains well below the levels reported for the previous programming period 2000-2006. However the error rate remains too high and the Commission is taking specific actions in order to mitigate further the risks identified. This includes in particular preventive and corrective measures such as further guidance, training and simplification in addition to targeted, risk-based on-the-spot audits and a strict and timely policy on interruptions/suspensions of payments and financial corrections as soon as serious deficiencies or irregularities are detected, either by national or EU audits. Closure procedures in 2017 will offer Member States and the Commission additional possibilities to filter out any residual level of material irregularities. In addition, the Commission will follow up the cases identified by the Court and propose actions as it deems necessary by 30/04/2017.*

*Reinforced procedures are foreseen in the regulatory framework for the 2014-2020 programming period. Management verifications and controls (including on-the-spot checks) will have to be carried out before the annual certification to the Commission of programme accounts and submission of management declarations by the managing authorities. Audit authorities will express an opinion on the residual level of errors after correction. The Commission may impose net financial corrections to the programme if serious deficiencies in management verification remain undetected or uncorrected before submission of the accounts. The Commission considers that these reinforced control procedures will result in lasting reductions of the error rate. The first results of these reinforced procedures*

*will be reported in DG EMPL 2016 annual activity report to be published end of April 2017.*

*The Commission has simplified the rules for the 2014-2020 period. The Commission has reviewed the public procurement rules and has issued new and clearer rules for State aid. Member States must take up simplifications offered for the new programmes: i) avoid 'gold plating' (adding national complexity in the eligibility rules); ii) ensure efficient – not necessarily more – controls through continuous training; iii) ensuring that expertise is retained in the administration, avoiding unnecessary staff turnover. The Commission has also been encouraging Member States to make full use of simplified costs options provided for in the Regulations as the ECA has not find any quantifiable errors in operations using SCOs.*

190. (§ 481 - 2014/PAR/0427) The European Parliament encourages Member States to use the risk assessment tool Arachne and encourages the Commission to continue providing Member States with relevant guidelines and technical assistance for the correct implementation of the management and control requirements in the 2014-2020 period; insists that the Commission enhance the exchange of good practices between Member States.

**Commission's response:**

*The Commission accepts the recommendation.*

*The Commission continues to provide support to Member States helping them to comply with their obligation under article 125.4c) of the 2014-2020 regulation to "put in place effective and proportionate anti-fraud measures taking into account the risks identified". In this respect, the Commission has further promoted the use by Member States of, on one hand, a specific fraud risk assessment tool and, on the other hand, of the risk scoring tool ARACHNE, developed by EMPL in cooperation with DG REGIO.*

*The scope and functionalities of ARACHNE have been presented by EMPL to Member States on various occasions. Advanced training sessions and Arachne workshops have been organized to support the Member States with the integration of the Arachne tool in their daily management verification and control processes.*

*Regarding ARACHNE, in June 2016, the situation was as follows:*

*- 21 Member States are "involved in ARACHNE" (17 are testing the tool for at least 1 Operational Programme (IT, PT, CZ, RO, LV, HR, PL, BE, BG, HU, ES, FR, SK, NL, EE, UK, MT ): 4 are finalising their data files for upload and subsequent testing (CY, SI, AT, LU))*

*- 5 Member States are (still) in 'reflexion' phase (SE, IE, LT, DK, FI)*

*- 2 have decided not to use (DE, GR). GR informed us that they will reconsider to use Arachne.*

*By the end of 2017, a review of the use of ARACHNE (and its potential for effectively helping Member States to detect potentially fraud) will be performed.*

*In addition, for the 2014-2020 programming period the Commission has developed an audit IT tool, called MAPAR (Management of Audit Processes, Activities and Resources) that will allow having a common base with all audit findings, including on audit authorities and on public procurement. This tool will also contain reported good practices between Member States.*

191. (§ 482 - 2014/PAR/0428) The European Parliament calls on the Commission to follow the Court's recommendations to ensure that the implementation of the Union budget better contributes to the achievement of the employment and social headline targets of the Europe 2020 strategy.

**Commission's response:**

*Regarding the transposition of the Europe 2020 strategy in operational programmes, the Commission considers that ESI Funds do contribute to the achievement of the political priorities of the Union and there is an explicit link to the Europe 2020 strategy through the partnerships agreements, the thematic objectives of the operational programmes and the introduction of a common set of indicators for each of the five ESI funds. Description of those contributions can be also found in the Annual Management Performance Report of the EU Budget on yearly basis. Further information and details on progress on objective and performance are available in the Programme Statement, which have been improved, encompassing both the ex-post information on programmes' performance and ex-ante estimations in terms of future outputs and results. In addition, the Commission reports and monitors consistently on thematic objectives and common indicators for all five ESI funds in a regular manner. The first report, the so-called "Article 16" report has been produced 14 December 2015 by the Commission (COM(2015) 639, Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds) and reported on the expected results for the Growth and Jobs objective through the ESIF support using common indicators. From 2016 onwards, the Commission will report each year to the Council and the Parliament on the progressive achievement of the targets of the programmes by the means of Summary Reports, and Strategic Reports in 2017 and 2019, as required by the Common Provision Regulation for ESIF (regulation 1303/2013) in its article 53.*

**Transport and Tourism Committee's opinions**

192. (§ 509 - 2014/PAR/0429) The European Parliament calls on the Commission and the Member States, however, to ensure that transport projects are duly implemented.

**Commission's response:**

*The Commission closely monitors the implementation of the transport projects with a view to achieving adequate budgetary execution as well as fulfilling the planned objectives of the programmes.*

*The Commission ensures the implementation of the transport projects through different means, such as*

- *ex-ante controls;*
- *assessment of the technical reports, which in some Programmes may have further pre-financing implications and commitments adjustments (only applicable to Multi-Annual Programmes);*
- *direct and regular contacts with the beneficiaries and project promoters to detect and solve any implementing problems and take any necessary remedies;*
- *technical site visits;*
- *project management workshops.*

193. (§ 510 - 2014/PAR/0430) The European Parliament regrets that for the area of "Competitiveness for growth and employment", to which transport belongs and for which transport consists of the smallest amount audited by the Court (EUR 0,8 billion) in relation to the total audited population (EUR 13 billion), the estimated level of error was 5,6 % in 2014 (higher than the equivalent results in 2013 (4,0 %), caused mainly by the reimbursement of ineligible costs in research projects, but also by non-compliance with public procurement rules; calls on the Commission to take all appropriate measures to rectify this situation (including by carrying out more thorough ex ante checks in order to detect and correct errors before reimbursement).

**Commission's response:**

*The Commission would like to clarify that the amount of EUR 0,8 billion is not the amount audited by the Court as regards to transport but represents a part of the total payments for 2014 related to transport. In addition, there are other transport payments included under the research amount.*

*The error rate reported by the Court is one indicator of the effectiveness of the implementation of EU expenditure. However, the Commission has a multiannual control strategy. On this basis its services estimate a residual error rate, which takes account of recoveries, corrections and the effects of all their controls and audits over the period of implementation of the programme.*

**1. As it concerns the FP7 and H2020 Programme, for 2014 the residual error rate has been estimated at 3% and in 2015 at 2,65% for DG MOVE.**

***The Commission has a sound system of ex ante controls in place including detailed automated checklists, written guidance and continuous training. The improvement of this system without imposing additional administrative burdens on beneficiaries, and whilst ensuring that payments are made promptly, is a constant challenge. The Court's findings will be used to make further improvements to ex ante controls, including further improved checklists, guidance and possible further automation of controls. The Commission is also working together with national agencies and authorities to ensure that their control mechanisms are operational to their full extent to prevent, detect and correct errors. However, as all FP7 contracts have been signed, the further modification of the legal framework is no longer an option. Over the course of FP7, however, the Commission has attempted to simplify the system within the existing legal framework, for example the simplification measures adopted by the Commission on 24 January 2011 (Decision C(2011) 174).***

***Horizon 2020 includes a radical simplification of the legal framework, in order to meet the expectations of both stakeholders and legislative authorities, focusing in particular on personnel and indirect costs as the main sources of error.***

**2. Concerning the TEN-T programme, the calculated residual error at the end of 2014 is 0,84% and 0,77% for 2015 and thus the Commission considers that the implemented systems work effectively.**

194. (§ 511 - 2014/PAR/0431) The European Parliament calls on the Commission and other relevant actors to ensure compliance with public procurement rules and costs eligibility of future transport projects.

**Commission's response:**

***INEA Executive Agency pays particular attention to the compliance of all the projects receiving EU support with the applicable EU-law requirements, in particular public procurement rules. This is checked and monitored during the entire project life cycle, in particular at the steps of signature of the Grant Agreement, ex-ante checks for interim and final payments as well as ex-post audits. In case of non-compliance, EU financial support is corrected where necessary.***

195. (§ 515 - 2014/PAR/0432) The European Parliament notes that information on transport and tourism projects is available in various databases, such as the Financial Transparency System, the INEA database of TEN-T projects, projects co-funded through cohesion and regional funds as well as CORDIS for Horizon 2020 projects; calls for the integration of project information from these tools in order to have a better overview, both upstream and downstream, of the process of allocating Union funds.

**Commission's response:**

*(1) Concerning the TEN-T funding, the list of projects is available in the Financial Transparency System ([http://ec.europa.eu/budget/fts/index\\_en.html](http://ec.europa.eu/budget/fts/index_en.html)). Another source of information is also the INEA website ([http://inea.ec.europa.eu/en/ten-t/ten-t\\_projects/ten-t\\_projects.html](http://inea.ec.europa.eu/en/ten-t/ten-t_projects/ten-t_projects.html)) where more detailed information is available regarding each TEN-T project. In regard to the Horizon 2020 funding, the list of projects and additional detailed information on the EU-funded projects will be included in CORDIS ([http://cordis.europa.eu/guidance/about-projects\\_en.html](http://cordis.europa.eu/guidance/about-projects_en.html)).*

*(2) As far as Cohesion Policy is concerned, only major projects, i.e. projects with a value of more than EUR 50 million, are subject to Commission's approval. Therefore the Commission (DG REGIO) will prepare the reports mentioned in Article 53 (1) of the CPR and will provide the information on transport projects: however, they will contain the list of major projects only. Indeed, the Common Provisions Regulation foresees that each year the Commission provides a report summarising the Annual Implementation Reports (AIRs) received by the Member States. Since the AIRs contain information on the financial execution and outputs by priority axis and specific objective, Commission services will be able to present information by thematic objective, including transport. The AIR will also provide information on the state of progress of implementation of major projects.*

*A more detailed strategic report will be prepared by the Commission in 2017 and 2019 and will include a detailed analysis of breakdown by category of expenditure. This would therefore provide more information on transport expenditure. Hence, that information on major projects approved in the transport sector will be provided to the EP in the framework of the report foreseen in article 53.1 of the CPR. Moreover, EP will be informed of the amount of expenditure by thematic objective at the same time.*

196. (§ 516 - 2014/PAR/0433) The European Parliament points out that transport projects in 2014-2020 will be financed from several sources, including the CEF, the Cohesion Fund, the European Fund for Regional Development and the EFSI; calls on the Commission, therefore, to develop synergies that will enable these different sources of funding to allocate the funds available more efficiently.

**Commission's response:**

*The Commission ensures close coordination between different funding frameworks, in order to ensure coherence of priorities and complementarity for funding of transport infrastructure projects.*

*1. With regard to the transport infrastructure projects financed from the Connecting Europe Facility (CEF) and the European Structural and Investment Funds (specifically, Cohesion Fund and ERDF), the relevant Commission services*

*(DG MOVE and DG REGIO) have signed in March 2014 a Memorandum of Understanding establishing a general framework for cooperation, with the aim to ensure consistency of EU support for transport at programming and implementation stages, and with a view to ensure complementarity and avoid duplication of efforts for the optimal use of funding for transport across the Union.*

*In line with the provisions of the MoU, the Commission services have:*

*a) reinforced cooperation on policy documents, i.e. by ensuring regular contacts and an early consultation before the formal inter-service consultation is launched;*

*b) strengthened cooperation with a view to ensuring, where appropriate, the inclusion of EU transport policy objectives and priorities in the Partnership Agreements and the relevant Operational Programmes to be agreed between the Member States (MS) and the Commission, for the allocation of the EU funds from the ESI Funds, as well as for the work programmes (annual and multi-annual) under the CEF;*

*c) strengthened coordination and increased co-operation of the EU financial support provided to the transport projects (ESI, CEF), which covers:*

*- Strategic planning/programming of transport interventions,*

*- Preparation and decision-making procedure on financial support to specific projects,*

*- Monitoring of programme and project implementation and of the use of funds by the MS.*

*Several missions/meetings took place in Cohesion Countries capitals with several EC departments in order to discuss the synergies & complementarities between CEF and ESIF.*

*Moreover Directorate general in charge of Regional and Urban policy was actively involved in the evaluation of the project proposals in order to ensure complementarity.*

*2. The complementarity of the CEF resources dedicated to Financial Instruments with the European Fund for Strategic Investments (EFSI) will be secured through the approval process of the use of the EU Guarantee for the selected projects by the EFSI Investment Committee and through the seal of approval of the CEF project pipeline given by the CEF Debt Instrument Steering Committee. While the CEF requires that transport projects are eligible under the CEF legal base (Annex I to the Regulation TEN-T Union Guidelines), EFSI allows for financing of other transport infrastructure investments across the Union.*

*A common approach on the assessment of eligibility of projects from the point of view of the competition law has been worked out by the European Commission, facilitating an appraisal process within the Commission and the EIB.*

*Finally, common rules and procedures in relation to the delegation agreements between the European Commission and the European Investment Bank have been agreed and are applied to all projects supported through Financial Instruments or related Technical Assistance under the common Framework Administrative and Financial Agreement (FAFA).*

197. (§ 520 - 2014/PAR/0434) The European Parliament calls on the Commission to make an impact assessment of financed projects in order to better define future spending priorities which are in line with the Union as the number one world's tourist destination, and enabling the tourism sector as a key potential growth area for the Union economy; calls on the Commission to include the results of the pilot projects and preparatory actions in the next year's budget planning and to provide a readily accessible annual list of projects in this field.

**Commission's response:**

*The European Commission conducted an evaluation of tourism related co-funded projects implemented under the Competitiveness and Innovation Programme (CIP 2007-2013) in the context of the impact assessment (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011SC1452&from=EN>) for the Programme for the competitiveness of enterprises and SMEs (COSME 2014-2020). The main conclusion was that, even if Europe is still world's No 1 tourism destination, there remains room for improvement in the visibility of Europe as a tourist destination. There is a general lack of knowledge outside Europe about European tourist destinations and inside the Union about thematic tourism products such as cultural and sustainable tourism. The impact assessment study concluded that there is clear added value in taking initiative at the EU-level especially in the following areas: the consolidation of the knowledge base in the tourism sector by the means of pan-European surveys and studies to better understand the demand and the supply side, without which data comparability and consistency across the EU would not be achieved; the development of joint transnational strategies for tourism promotion of Europe as home to high quality and sustainable tourist destinations; as well as the extension of the tourism season, which could be done better with exchanges between different Member States than by each country individually. These conclusions were used for the design of tourism related components in the ongoing COSME programme.*

*The tourism projects co-funded under the COSME Programme will be evaluated in the context of the mid-term evaluation of the Programme as foreseen in the Regulation (COM/2011/0834 final - 2011/0394 (COD)). (Art 15.3 - By 2018 at the latest, the Commission shall establish an interim evaluation report on the achievement of the objectives of all the actions supported under the COSME programme at the level of results and impacts, the efficiency of the use of resources and its European added value, with a view to a decision on the renewal, modification or suspension of the measures).*



*An overview of projects co-funded by the European Commission under the Competitiveness and Innovation Programme (CIP), the Programme for the Competitiveness of enterprises and SMEs (COSME) as well as under different pilot projects and preparatory actions can be found on the European Commission tourism website (<http://ec.europa.eu/growth/sectors/tourism/>). For projects under COSME which are implemented by the Executive Agency for Small and Medium-Sized Enterprises (EASME), the main results of the projects financed can be found on the EASME website (<https://ec.europa.eu/easme/en/cosme>). Furthermore, a list of beneficiaries of projects financed under COSME is publicly available on the website of the Programme ([https://ec.europa.eu/growth/smes/cosme\\_en](https://ec.europa.eu/growth/smes/cosme_en)).*

#### **Regional Development Committee's opinions**

198. (§ 523 (first part) - 2014/PAR/0435) The European Parliament calls on the Commission to provide timely information and training to authorities with a view on public procurement and state aid rules.

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

*The Commission is taking the recommended actions.*

*It has carried out and continues carrying out actions to support further professionalization of the management of the funds. It has set-up a self-assessment tool to help Member States' administrations to identify competency gaps among their staff and define training and recruitment needs. Implementation of a strategic training programme on the new regulatory requirements for the 2014-2020 programming period will continue; a new module on state aid will be launched in autumn 2016. Exchanges of expertise in the framework of the TAIEX-REGIO PEER2PEER instrument - an expert exchange system for managing authorities and other key bodies involved in the management of the funds to share experiences and expertise – has been launched in March 2015, and recently the decision was taken by the REGIO Board of Directors to prolong the initiative towards end 2020. It provides targeted support to specific Member States and exchange of good practices in areas such as public procurement and State aid.*

*In addition, as regards public procurement, the Commission published in October 2015 a guide to support public officials across the EU to avoid the most frequent errors and adopt best practices in public procurement of projects funded by the European Structural and Investment Funds (ESIF).*

*The guide helps to identify and avoid areas of potential risk of errors in public procurement, a major source of irregularities in the management of EU funds. By doing so, this tool will not only ensure regularity and transparency, but will also improve the efficiency and the effectiveness of public procurement with significant potential gains in terms of fair competition and quality of investments for the benefit of the public administrations, the companies involved and the end beneficiaries of the projects.*

*The "Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds"*

*([http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/guidance\\_public\\_proc\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_public_proc_en.pdf)) contains practical suggestions, series of good practices, real-life examples, explanations on specific topics, case studies and templates and useful links in order to help those who are involved in the day-to-day management of EU-supported projects. It also describes the most common mistakes and explains how to avoid them and how to handle each situation.*

*Two pilot projects have been launched with the OECD in BG and SK to support these Member States in completing their action plans (due to non-fulfilled ex ante conditionality on PP) with a special focus on developing and setting up a coherent training strategy.*

*See also reply to 2014/PAR/0322.*

*Regarding State aid, the Commission has compiled an inventory of effective tools existing in various Member States in the area of application of state aid rules linked to the management of the ESI Funds, and to identify good practices as well as general recommendations. The recommendation of the expert will serve as input for follow up actions.*

*It started also with organization of country specific seminars in Member States that do not fulfil the EAC related to State aid (Croatia, Romania, Czech Republic, Slovakia and Bulgaria).*

*The objectives of the seminars are:*

☐- *To reinforce awareness of the basic principles of the EU State aid policy in relation to the ESI Funds;*

☐ - *To present changes following the modernization of State aid policy, particularly related to de minimis rule and General Block Exemption Regulation (GBER);*

☐- *To discuss application of State aid in specific areas (sectors);*

☐- *To bring together national actors responsible for State aid and ESIF, to enhance their cooperation and networking;*

☐- *To exchange information on existing practices in the country, lessons learnt, achievements, areas of improvement and future initiatives;*

☐- *To have the possibility for Q&A sessions with the Commission and national experts.*

*The target groups are:*

☐- *Representatives of bodies involved in the management, implementation and control of the ESI Funds – Managing Authorities, Intermediate Bodies, Audit Authorities.*

☐- *Representatives of regional and local authorities involved in implementation of the ESI Funds.*

☐- *Representatives of the State aid competent authorities.*

☐- *Other stakeholders involved in the management, implementation and control of the ESI Funds.*

*Besides the country-specific seminars, the Commission started to organise in 2016 thematic workshops for specialists open to all Member States. Their purpose is to disseminate knowledge and exchange experience through very specific, tailor-made workshop focused on a particular issue. The first thematic seminar took place in January 2016 in Brussels and was dedicated to R&D&I. In June 2016, a second seminar was held and dedicated to State aid in energy projects. It will be followed in September 2016 by a seminar on Regional aid and state aid for SMEs and in November 2016 one on Transport.*

*Based on the high demand for awareness raising events on State aid DG REGIO decided to roll out a dedicated series of State aid training modules for Cohesion Policy specialists from Member States. They are developed together with EIPA and there will be two two-days sessions held in Brussels in November and December 2016. The scope of these seminars is broader and less sector specific than the above mentioned sector seminars.*

*More information can be found here:*  
[http://ec.europa.eu/regional\\_policy/en/policy/how/improving-investment/state-aid/](http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/state-aid/)

199. (§ 523 (second part) - 2014/PAR/0436) The European Parliament notes the application of the Integrity Pacts initiative and urges the Commission to carry out an appropriate ex-ante evaluation as to their potential to really improve transparency and efficiency in public procurement as regards ESI Funds.

**Commission's response:**

*The Commission is taking the recommended action: it considers the pilot initiative with the 17 IP's running until end 2019 as a test to find out if this tool could be further explored. Similarly to an ex-ante evaluation, this pilot initiative will help for further developments in the future.*

*Following the call for expression of interest published in May 2015, 17 projects co-financed by the EU Structural and Cohesion Funds were selected for the pilot phase of the integrity pacts. They were submitted by managing authorities and*

*beneficiaries, while the selected civil society organisations (CSO) were applying to act as Integrity Pact (IP) monitors.*

*This resulted in the selection of a good mix of projects from different sectors (transport, institutional building, culture, monitoring, environment, energy, education, research and development, integrated territorial investment, administrative capacity and health care) in 11 Member States (Bulgaria, Czech Republic, Greece, Hungary, Lithuania, Latvia, Slovenia, Portugal, Romania, Italy and Poland). The lessons learnt from these pilots will be disseminated and can be applied to many other EU co-financed projects in the future.*

*In January 2016 the European Commission's Directorate-General for Regional and Urban Policy signed a Multi-Beneficiary Grant Agreement with Transparency International for the implementation of "Integrity Pacts - civil control mechanisms for safeguarding EU funds, Phase II" project which will run for 4 years. The general objective of this pilot initiative is to safeguard EU funds against fraud and corruption and to enhance trust in public authorities and government contracting.*

*The Transparency International Secretariat will ensure overall coordination of the project. It will coordinate the Civil Society Organisations (CSO's) which will monitor the IP and carry out quality assurance of project implementation at all levels, promotion and dissemination of the project results, necessary training and capacity building, capturing and dissemination of impact, lessons learnt and best practices.*

*The Commission expects that the Integrity Pact project will foster a culture of public demand for accountability in the allocation and disbursement of public funds by ensuring transparency and engaging citizens in monitoring of public procurement procedures.*

200. (§ 523 (third part) - 2014/PAR/0437) The European Parliament calls on the Member States to fulfil the ex-ante conditionality concerning public procurement by the end of 2016 and to transpose the 2014 Public Procurement Directives into their legal systems by April 2016, in order to avoid irregularities and ensure effective and efficient projects implementation and achievement of the envisaged results and hence the cohesion policy's goals; calls on the Commission to strictly supervise this process providing the respective guidance and technical assistance to the Member States in the context of the correct transposition of these Directives into national law.

**Commission's response:**

*The Commission is strictly supervising the transposition process related to the EU public procurement directives adopted in 2014. In this regard, the Commission diligently took legal action and opened infringement procedures against all Member States which had not fully transposed the aforementioned directives by the set deadline (18 April 2016). With regard to those Member States which have already notified national transposition measures, the Commission will perform*

*appropriate legal and factual verifications for compliance with the EU public procurement framework.*

*In the context of transposition, the Commission is providing guidance and technical assistance to the Member States in the framework of the specifically dedicated thematic meetings of the Commission-Government experts Group on Public Procurement. Moreover, the Commission holds bilateral meetings with national administrations and has already organised several cross-Member States seminars on selected topics. Furthermore, the Commission has provided and continues providing numerous answers to concrete questions raised by Member States and made available to national administrations the specifically elaborated correlation tables indicating similarities and differences between the provisions of the old and the new directives. In addition, the Commission has also set up the online platform Wiki for clarifying of public procurement-related questions as well as for spreading information and best practice exchange amongst the Member States.*

*The Commission is closely monitoring those Member States that are still implementing their action plans until the end of 2016 due to non fulfilled ex ante conditionalities on public procurement. The Commission has sent early warning letters at high political level about the risk of delays and its potential consequences and the different services hold regular monitoring meetings with the Member States to discuss the state of progress of individual actions. In specific cases concrete support is offered via e.g. PEER 2 PEER exchange system with experts in other Member States and direct support to actions under the action plan with the OECD in Slovakia and Bulgaria (e.g. development of straining strategy and e-procurement strategy).*

201. (§ 525 - 2014/PAR/0438) The European Parliament calls on the Commission, Member States and the regional authorities to ensure that beneficiaries are provided with consistent information about funding conditions, particularly concerning the eligibility of expenditure and the relevant ceilings for reimbursement.

**Commission's response:**

*The recommendation is partially accepted as most of the responsibility lies with Member States and programme authorities.*

*Apart from the eligibility rules provided at EU level in the regulations, the definition of national eligibility rules is a responsibility of the Member States as is the requirement for programme authorities to ensure that beneficiaries are provided with consistent information on funding conditions etc.*

*However, the Commission provides ongoing advice to the Member States concerning eligibility rules. A guide was provided to its staff at the start of the programming period to be used when supporting implementation in the Member States and a number of eligibility issues have also been addressed through*

*guidance notes discussed with Member State experts and then made publically available :[http://ec.europa.eu/regional\\_policy/en/information/legislation/guidance/](http://ec.europa.eu/regional_policy/en/information/legislation/guidance/)*

202. (§ 526 - 2014/PAR/0439) The European Parliament calls on the Commission to contribute to simplification of implementation at the national and regional level, while respecting Member States' institutional characteristics and providing them with the clarification necessary to implement regulations.

**Commission's response:**

*The legislative package for the 2014-2020 period includes new initiatives to harmonise and simplify the implementation of the European Structural and Investment (ESI) Funds including increased proportionality in management and control. The issue of simplification of ESI Funds is part of the Commission's plans on better regulation and better results. At this point in the programming period, there is a need for stability of the rules and time for the new provisions to embed and start to deliver their potential simplification benefits. The Commission has launched a series of studies to understand better the take up and impact of the new provisions.*

*In addition, the Commission set up the High Level Group on Simplification for beneficiaries of ESI Funds in July 2015 to provide advice to the Commission on simplification and they have been asked to make recommendations for concrete actions that can maximise the potential for simplification in the current period (2014-2020) and for the post 2020 period.*

*They presented their first conclusions and recommendations on e-Governance and simplified costs to the Commission on 1 March 2016. A second set on the subjects of access to EU Funds for SMEs and financial instruments is expected by mid-2016.*

*As shown in the overview report on the use of "Simplified Cost Options in the European Social Fund", submitted to the CONT Committee in November 2015, the Commission has conducted simplification seminars since 2011 in almost all Member States, strongly promoting the use of Simplified Cost Options already for the programming period 2007-2013 and actively supporting Member States in order to leverage their full potential. The positive impact of such simplification is acknowledged by the Court in its Annual Reports over the last 3 years, where the Court states that they are less prone to errors. This reflects in the reduction of the error rate, in particular in the case of the ESF, where the error rate for the period 2011-2014 has been on average 3%, significantly lower than in previous years, and has also a positive impact on the reduction of the administrative burden on beneficiaries. The ESIF 2014-2020 regulations further strengthen simplification opportunities and the Commission continues to actively support Member States since the beginning of the programming period in order to maximise their effective take up.*

203. (§ 527 - 2014/PAR/0440) The European Parliament considers that administrative capacity is essential for regular and efficient use of ESI Funds and calls on the Commission and Member States to reinforce the exchange of knowledge and good practices on specific implementation topics (e.g. public procurement, State aid, eligibility criteria and audit trail) in particular for potential beneficiaries which have fewer administrative and financial capacities.

**Commission's response:**

***See reply to 2014/PAR/0314.***

204. (§ 528 - 2014/PAR/0441) The European Parliament considers, furthermore, that the Commission should efficiently and effectively implement all available tools for early detection and prevention of risks in cohesion policy, and more specifically data mining tools, such as ARACHNE, for the early detection and prevention of risk in public procurement procedure; since the context of the activities of the Task Force for Better Implementation also includes activities which could enhance efficiency, effectiveness and added value of cohesion policy projects that have already been implemented, the Commission is called to assess these features through qualitative indicators.

**Commission's response:**

***The Commission is actively promoting their use by responsible national authorities of Arachne, a preventive risk-scoring tool it has developed. This tool may bring significant improvements in the prevention and detection of various risks related for example to public procurement procedures, conflicts of interest, concentration of grants under particular operators. It can also help identifying red flags of fraud suspicion.***

***ARACHNE has been designed to help Member States in management verifications and as a fraud alert tool. It includes a number of risk indicators linked to public procurement, such as: lead time between publication of the tender notice and contract signature date; number of disqualified tenders /number of tenders received; number of valid tenderers; amount of contracts procured via negotiated, restricted procedure or via direct award /total Project Cost; number of contract addenda compared to the average per sector; financial correction to procurement procedure applied in the past in relation to the beneficiary.***

***ARACHNE identifies the involvement of beneficiaries, contractors and subcontractors in different projects and programmes but also identifies the links between entities involved in the implementation of a project.***

***Regarding ARACHNE, in June 2016, the situation was as follows:***

- 21 Member States are "involved in ARACHNE" (17 are testing the tool for at least 1 Operational Programme (IT, PT, CZ, RO, LV, HR, PL, BE, BG, HU, ES, FR, SK, NL, EE, UK, MT ): 4 are finalising their data files for upload and subsequent testing (CY, SI, AT, LU))

- 5 Member States are (still) in 'reflexion' phase (SE, IE, LT, DK, FI)

- 2 have decided not to use (DE, GR). GR informed us that they will reconsider to use Arachne.

*By the end of 2017, a review of the use of ARACHNE (and its potential for effectively helping Member States to detect potentially fraud) will be performed.*

#### **Agriculture and Rural Development Committee's opinions**

205. (§ 531 - 2014/PAR/0442) The European Parliament urges, in extreme cases, that consistently underperforming paying agencies should be stripped of their accreditation.

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

*Granting and withdrawal of accreditation is under shared management the responsibility of Member States. Empowerment to the Commission in this respect would imply a modification in the Horizontal Regulation (Regulation 1306/2013). Nevertheless, the Commission takes the view that new powers to withdraw accreditation in cases of "consistently underperforming paying agencies" would not solve the problem is mainly about certain deficiencies in controls, which should be remedied by Member States. Withdrawing accreditation in case of deficient controls would be rather counter-productive as it would not address the fundamental issue of the deficiencies in the control systems. The Commission therefore prefers focusing on assisting the Paying Agencies to improve their control systems.*

206. (§ 541 - 2014/PAR/0443) The European Parliament calls for a reasonable, proportional and effective policy on sanctions to support this approach, such as avoiding double sanctioning for the same error under both the payment scheme and cross-compliance; urges the Commission to better ensure proportionality of penalties in relation to the type of error; calls for instruments for a more incentivised, output-driven approach which could offer reduced error and inspection rates and make it more possible to distinguish between error and fraud, while ensuring that farmers are still able to deliver the vital food production at the heart of the policy.



**Commission's response:**

*First of all, the applicable legislation clearly prevents double sanctioning when the same non-compliance concerns eligibility conditions and cross-compliance (Article 5 of Regulation 809/2014).*

*However, the Commission points out that under shared management, it is Member States' responsibility to calculate and impose sanctions, taking account of the principle of proportionality. It is also for the Member States to carry out checks and conclude whether a given irregularity should be treated as fraud or not.*

207. (§ 546 - 2014/PAR/0444) The European Parliament notes the agreement between Commission and Court that rural development expenditure is governed by complex rules and eligibility conditions, partly due to the nature of the policy and the heterogeneity of European regions, calls for enhancement of the simplification and preventive measures included in the 2014-2020 rules and calls in addition for that simplification to be delivered at Member State level in the new Rural Development programmes as a priority and as an important means of reducing error rates and improving efficiency and flexibility, thereby increasing the absorption capacity, particularly where small-scale programmes, may have attracted less interest and/or shown consistently high error rates as a result of their inflexibility in the past.

**Commission's response:**

*The Commission agrees in general that simplification is crucial when designing rural development measures, but considers that this recommendation is addressed to the Member States who are responsible for drafting their rural development programmes.*

*Simplification of the CAP, and notably Rural Development, is a priority for the Commission. For instance, the 2014-2020 legal framework required that both Managing Authorities and Paying Agencies undertook an ex-ante assessment of each programme proposal to certify that the measures programmed are verifiable and controllable. The Commission services thoroughly analysed this assessment during the approval process and, where relevant, issued specific comments. This process also permitted identification of relevant issues to be specifically followed up during the programme implementation. The European Network for Rural Development is now playing an enhanced role in disseminating good practices and guidance. As an example, in 2015 training for Managing Authorities and Paying Agencies has been carried out in relation to the following topics: simplified costs options, reasonableness of costs, public procurement and result-oriented agri-environment payments.*

208. (§ 547 - 2014/PAR/0445) The European Parliament calls on the Commission to submit in good time a detailed plan for reducing red tape in the context of the CAP.

**Commission's response:**

*The Commission maintains its strong commitment to working on simplification of the CAP rules. Many actions have already been taken.*

*In early 2015 Commissioned Hogan launched a comprehensive screening exercise to assess the scope for simplification of the post-2013 rules and invited EU institutions, Member States and stakeholders to provide their proposals for simplification. More than 800 pages were submitted containing over 1500 proposals in total. Following assessment of these proposals the Commission has already started undertaking actions (by means of amendments to Commission regulations or by means of guidance documents) to simplify the implementation of the policy both for farmers and other beneficiaries of the CAP and for national administrations. Amendments to the existing legislation (implementing and delegated acts) have been proposed, some have already been adopted, some are still being discussed.*

209. (§ 548 - 2014/PAR/0446) The European Parliament urges both the Commission and Member State authorities to continue to address and reduce the complexities in relation to direct payments wherever possible and give high priority to simplification of the greening measures, particularly if there are many different levels involved in the administration of EAGF and rural development funds within Member States, with different approaches for the two pillars where necessary.

**Commission's response:**

*The Commission has demonstrated its strong commitment to simplifying the rules.*

*In relation to management of direct payments, the Commission has already adopted an amendment to the implementing regulation on IACS, introducing a series of changes to the rules in order to give Member States more flexibility in relation to controls and make life easier for farmers. Among them was the possibility for farmers to modify the declaration of parcel use for greening after the submission of the application, which means more flexibility for farmers in managing the land.*

*The Commission would emphasize that simplification should be considered a joint effort, so Member States should endeavour to avoid additional complexity at national level.*

210. (§ 552 - 2014/PAR/0447) The European Parliament calls for analysis of the overall effect of the two pillars of the CAP in rural areas, on where and how the funds are allocated and focusing on the real final beneficiaries.

**Commission's response:**

***Detailed reporting on the effect of the CAP on the final beneficiaries can be found in the performance part of the Annual Activity Report (including Annex 11) of the Directorate General for Agriculture and Rural Development. The Commission has committed itself to increase its performance reporting in its future AARs.***

211. (§ 555 - 2014/PAR/0448) The European Parliament welcomes the Commission decision establishing exceptional aid schemes for countries that sustained losses in the dairy sector and calls on the Commission to consider further aid measures for sectors facing similar problems.

**Commission's response:**

***The Commission is constantly monitoring the market situation and takes appropriate actions whenever necessary.***

212. (§ 556 - 2014/PAR/0449) The European Parliament expresses concern that women in rural areas of many Member States have only limited access to the employment market and calls on the Commission, as a matter of priority in its future development initiatives, to assume the task of improving and increasing access to the employment market for women in rural areas and to allocate adequate funding for a 'European guarantee for rural women', similar to the European Youth Guarantee programme, setting separate targets for women in rural areas.

**Commission's response:**

***Targets or indicators serve to monitor and assess the effectiveness of the existing measures, but could not in itself lead to a different result. The Commission considers that setting separate targets would not address the issue raised by the European Parliament. At the same time, the Commission does not question that the problem exist. However, having a dedicated measure to facilitate access to employment to women in rural areas would require amending basic act, Regulation 1305/2013. The Commission could consider including such a new measure for the CAP post 2020.***

213. (§ 557 - 2014/PAR/0450) The European Parliament urges the Commission to clarify the rules regarding recognition of producer organisations, notably in the fruit and vegetables sector, and further to shorten lead times of Commission audits, in order to provide legal certainty to beneficiaries and avoid unnecessary errors.

**Commission's response:**

*The Commission considers that the existing rules are clear and emphasizes that draft regulations are always extensively discussed with the representatives of the Member States in management committees where explanations can be sought. Problems arose due to incorrect implementation of the rules at national level. Therefore, the first part of the recommendation is rejected.*

*As to shortening audit enquiries, the Commission considers that action has already been taken to address the issue. New legal framework provides for deadlines in the conformity clearance procedures, which entails that a standard enquiry should be finalised within two years.*

214. (§ 562 - 2014/PAR/0451) The European Parliament calls on the Commission to assess the effectiveness of payments to promote sales in third countries and to ensure that these measures do not crowd local producers out of the market.

**Commission's response:**

*The Commission considers that the CAP measures are implemented in accordance with impact assessment carried out. The Commission monitors the market situation and takes appropriate steps when necessary.*

**Fisheries Committee's opinions**

215. (§ 571 - 2014/PAR/0452) The European Parliament recommends that the Commission exert greater pressure on Member States to submit reliable data.

**Commission's response:**

*This recommendation is partially implemented. Implementation is continuous until the end of the eligibility period, i.e. 31.12.2023.*

*A series of activities has been undertaken to support Member States in reporting more reliable data. As the EMFF, in the current financing period, for the first time, sees a common monitoring and evaluation (CMES) the Commission has set up a fisheries and aquaculture monitoring and evaluation unit (FAME) to support both Commission and Member States in the implementation of the new reporting requirements. FAME has been operational since autumn 2015.*

*Some of the most important activities undertaken by the Commission include:*

- *The drafting of a working paper on the definition of indicators of the common monitoring and evaluation system (CMES) (first draft of November 2015).*

• *The publication of target values as adopted with the EMFF Operational Programmes (OPs) on the ESIF Open Data Platform (<https://cohesiondata.ec.europa.eu/>) on EU aggregate level (November 2015).*

• *The conduction of a workshop with Member States on the definition of selected indicators (March 2016).*

• *Responses to around 30 individual questions by Member States on the reporting of data.*

*The support to Member States in providing reliable data is an on-going task. The coming months will see further activities, such as:*

• *A second workshop with Member States on further indicators in autumn 2016.*

• *The publication of target and achievement data on the ESIF Open Data Platform at Member State level as from the 2nd half of 2016.*

216. (§ 572 - 2014/PAR/0453) The European Parliament urges the Commission to provide all possible support for the Member States with a view to ensuring proper and full use of EMFF resources, with high implementation rates, in line with their respective priorities and needs, in particular as regards the sustainable development of the fisheries sector.

**Commission's response:**

*This recommendation is partially implemented. Implementation is continuous until the end of the eligibility period, i.e. 31.12.2023.*

*The Commission is continuously providing advice to the MS to help them in the most effective implementation of their Operational Programmes (OPs). The Commission is member of the monitoring committee where review of the implementation and progress made towards to the objectives of the OPs is taking place. In addition, the Commission provides advice through individual bilateral meetings and in particular during the Annual Review meeting. Horizontal questions of implementation are discussed at least three times per year in the EMFF expert group.*

*The Commission is going to continuously monitor the implementation of the OPs and provide advice to the MSs until the end of the eligibility period of the EMFF OPs.*

217. (§ 575 - 2014/PAR/0454) The European Parliament calls on the Commission, to ensure that sectoral support disbursements are consistent with other budget support payments and calls for an improvement of the results achieved by the partner countries in the implementation of the matrix of commonly agreed actions.

**Commission's response:**

*This Recommendation is being implemented progressively.*

*For the Commission, underutilisation is exception rather than the rule. There is improved coherence and consistency between the implementation of development policies and the disbursement of SFPA (Sustainable Fisheries Partnership Agreements) sectoral support. This is applied on the basis of targeted, identifiable actions with clear achievement indicators against which performance can be measured. Other donors' actions and projects are also taken into account in the matrix which is discussed in Joint Committees aiming at identifying the real needs of the partner countries and the final programme of activities.*

*Disbursements are considered in that context and if it is observed that there has not been adequate utilisation of the funding provided, payment for the following years' sectoral support contribution may be suspended.*

218. (§ 579 - 2014/PAR/0455) The European Parliament urges the Commission to monitor more closely the implementation of sectoral support in order to ensure its effectiveness.

**Commission's response:**

*This Recommendation has been implemented. The Commission is now closely following the implementation of the sectoral support on a regular basis against detailed annual work programmes of our partner countries, which are based on a multi-annual programme identifying the principle actions to be undertaken throughout the duration of the respective Protocols.*

*Following the new CFP, payments are now directly linked to the utilisation and performance of the sectoral support. Protocols now include provisions to "decouple" the payments of access rights and sectoral support and provisions to allow for revision in justified cases, and ultimately a suspension of sectoral support payments.*

219. (§ 581 - 2014/PAR/0456) The European Parliament calls on the Commission to include, where possible, in the new protocols the possibility of partial payments of the sectoral support.

**Commission's response:**

*This recommendation has been partially implemented, and will be progressively followed as each new Protocol will be negotiated.*

*New protocols negotiated include, to the extent possible, provisions allowing for partial payments of sectoral support in case results achieved are deemed not satisfactory.*

#### **Culture and Education Committee's opinions**

220. (§ 587 and § 591 - 2014/PAR/0457) The European Parliament notes that the mismatch between the seven-year programming of the MFF and the ten-year programming of the political and strategic priorities of the Union could adversely affect the consistent evaluation of the results achieved by Union programmes; notes that the upcoming revision of the MFF is a key point in the management of Union spending by ensuring Union investment programmes remain efficient; insists on a thorough simplification of the application forms and criteria, especially for small scale projects, both in Erasmus+ and the Creative Europe programmes.

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

*Despite the context of the differing cycles of MFF programming and political and strategic priorities, the Commission is able, via the respective Annual Work Programmes, to ensure there is flexible adaptation of the programmes to meet pressing political priorities, such as social inclusion, deradicalisation, and migration. The forthcoming mid-term evaluations of the Erasmus+ and Creative Europe programmes will present a timely opportunity to assess the effectiveness and confirm the efficient management of the programmes.*

*In preparing the 2014-20 Erasmus+ and Creative Europe programmes, the Commission performed a thorough revision of the funding approach, using simplified online applications, scales of unit costs and flat rates, and a streamlined workflow assisted by IT tools at each stage of the award and grant management process. This new approach has provided a more straight-forward process for applicants, and is being monitored and adjusted as necessary during the life of the programme. Both the Erasmus+ and Creative Europe are well adapted to funding small scale projects, as demonstrated by the profile of projects selected in the first two years of the programmes.*

#### **Erasmus+**

*The Commission has taken simplification measures in Erasmus+ to increase the participation of small organisations, such as schools and grass-root sport organisations.*

*Concretely, since 2014, the Commission has improved, in terms of length and clarity, the templates for the 2016 grant agreements between beneficiaries and National Agencies in response to feedback expressed by programme stakeholders. Reports which participants are required to complete after completion of their mobility activities have been formulated to become simpler and more accessible to the target groups. The Commission has also taken measures in 2015 to increase*

*the number of participating organisations by increasing the chances of smaller projects being selected. In the case of schools, this approach has proved successful, as preliminary data have shown that almost 20% more schools have been selected in 2015 than in 2014. However, in 2017 and beyond, the Commission will continue its efforts to further simplify the programme implementation. Further simplification of forms, in particular application forms, is being prepared for the 2017 selections. In addition, adjustments to the simplified forms of grants, notably their extension to the field of Sport, are planned for 2017, which will further facilitate the access to the programme for grass root organisations. The Commission will also be looking into possibilities to reduce administrative requirements for organisations participating in Erasmus+ as project partners.*

#### **Creative Europe**

*The Creative Europe programme is open to many types of small scale projects, a notable example being literary translations, where in 2014 and 2015, a total of 145 literary translation projects were selected within Creative Europe (accounting for 41% of all projects funded under the programme in the same time span), entailing a grant of maximum €100,000 each.*

#### **Civil liberties, Justice and Home Affairs Committee's opinions**

221. (§ 597 - 2014/PAR/0458) The European Parliament regrets the fact that in some Member States, laws concerning conflict of interest of members of the parliament, government and local councils is vague and insufficient; calls on the Commission to examine this situation and, if appropriate, make proposals in that regard; considers that any such proposals should also apply to existing and candidate Commission members.

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

*Through the EU Anti-corruption reporting mechanism for periodic assessment ("EU Anti-corruption Report") created by Commission Decision C(2011) 3673 final of 6 June 2011, the Commission assesses periodically anti-corruption policies across EU Member States, reviews the situation in each Member State as regards laws on conflict of interest and their implementation, and makes proposals where appropriate.*

#### **Gender issues Committee's opinions**

222. (§ 601 - 2014/PAR/0459) The European Parliament calls on the Commission to use gender budgeting analysis of both new and existing budget lines and, where possible, make necessary policy changes to ensure that gender inequality does not occur indirectly.



**Commission's response:**

*Gender equality is a cross-cutting objective for all relevant policy areas, including fundamental rights and citizenship, employment and social inclusion, cohesion policy, education, research and innovation, and external cooperation. In particular the programmes EaSI, FEAD, Consumers, EMFF, Health, and EGF make reference to gender equality general principles while the programmes ESF, REC, Horizon 2020, IPA II, Humanitarian aid, DCI, EIDHR and Greenland have specific actions related to gender specific issues. In its planning process the Commission undertakes gender budgeting analysis for the new and existing activities financed by the budget lines and, where possible, ensure that gender inequality does not occur indirectly.*

*In particular, in the field of external actions, the Commission follows Gender Action Plan (GAP) established for the period 2016-2020 which covers the EU's activities in third countries, especially in developing, enlargement and neighbourhood countries, including in fragile, conflict and emergency situations. A wide range of external assistance instruments support gender equality objectives as for example:*

- EU Trust Fund for Central African Republic finances specific bilateral or regional development support programmes (e.g. women's economic empowerment project)*
- Pan-African programme on female genital mutilation;*
- Global Public Goods and Challenges thematic programme included in the Development Cooperation Instrument (DCI) with around EUR 100 million committed to improve the lives of girls and women.*

*Gender aspects are equally taken into consideration in several other thematic actions like food security, rural development, private sector development, and for instance, gender specific actions will be developed under the climate change programme for the years 2014-2016 (estimated EUR 16 million, DCI). Finally gender is a key cross-cutting issue for the EU Instrument contributing to Stability and Peace (IcSP): it is integrated into all actions, both non-programmable crisis response measures and programmable actions on conflict prevention, peace-building and crisis preparedness. In this regard, key priority is given to ensuring that all actions contribute to delivering on EU commitments on Women, Peace and Security (WPS).*

*The Commission's Inter-Service Group on equality between women and men composed of all Commission services will continue to monitor and steer the integration of a gender equality perspective in policy, legal and spending programme activities, including budgetary matters, across all EU policy areas and will consider issuing in 2017 a report on gender mainstreaming.*

223. (§ 603 - 2014/PAR/0460) The European Parliament calls on the Commission to produce an assessment of the impact that Union financing has had on promoting gender equality.

**Commission's response:**

*The Commission has currently no horizontal programme which exclusively addresses gender equality and on which basis impact of Union financing could be assessed across different policy areas. There are however sectoral funding programmes where gender equality aspects are addressed if appropriate and measured. An overview of the role of EU funding in gender equality is also included in the 'Evaluation of the strengths and weaknesses of the strategy for equality between women and men 2010-2015' which is available on [http://ec.europa.eu/justice/gender-equality/files/documents/151201\\_strategy\\_evaluation\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/documents/151201_strategy_evaluation_en.pdf). A similar study will be produced after the end of the current "strategic engagement for gender equality 2016-2019".*

224. (§ 604 - 2014/PAR/0461) The European Parliament invites the Union to increase the share of the ESF dedicated to develop high quality public services at affordable prices for childcare, care for the elderly and dependent adults (for which are still women that in most cases take care for them) taking also into account the evidences provided by Gender Equality Index, recently developed by European Institute for Gender Equality (EIGE).

**Commission's response:**

*This recommendation is already provided for by article 4.2 of Regulation (EU) N°1304/2013 on the ESF. Access to affordable, high quality care services, including childcare and care for the elderly and other dependents is one of the Investment Priorities of the ESF for the programming period 2014-2020.*

*Member States have reserved 25,6 % of their ESF allocations (ie. 21,1 billion euros) for social inclusion activities, including access to care (which amounts to around 3.9 EUR billion).*

*The 2016 Annual Implementation Reports will provide an overview as regards the state of play of the relevant Operational Programmes under which access to care is supported. Implementation of ESF programmes will intensify in 2016.*

225. (§ 605 - 2014/PAR/0462) The European Parliament calls on the Commission and Member States to implement full training of public officials involved in spending decisions to ensure full understanding of the effects their decisions have on gender equality.

**Commission's response:**

*Commission statutory staff involved in spending decisions must follow training in financial management. The likely gender-specific impact is already mainstreamed in the Learning Offer of the Commission particularly regarding training for managers. In addition, the Commission regularly offers courses on gender mainstreaming to its staff. The issue is also scrutinised carefully during the Commission's decision-making process. The Commission is considering how best to raise awareness on gender impact of spending decisions in general.*

226. (§ 606 - 2014/PAR/0463) The European Parliament calls on all the Union institutions to assess whether there is genuine parity as regards the distribution of posts within the institutions and bodies of the Union, providing gender-by-gender statistics on staff numbers and grades as part of the discharge procedure.

**Commission's response:**

*In 2015, the Commission has committed itself to raise the part of women in management to 40%.*

*An assessment of the progress made will be available in the second semester 2016.*

**Part I – Special Report No 18/2014 of the Court of Auditors entitled "EuropeAid's evaluation and results-oriented monitoring systems"**

227. (§ 13 (first indent) - 2014/PAR/0464) The European Parliament considers that EuropeAid should, to ensure that the evaluations that are carried out reflect the priorities of the organisation:

– define clear selection criteria to prioritise programme evaluations and document how they were applied in establishing the evaluation plans, taking into account the complementarity with ROM.

**Commission's response:**

*The requested action has been taken.*

*A draft guidance note on selection criteria has already been issued in December 2014; this has been confirmed and further strengthened by the introduction of a new Monitoring and Evaluation Plan (MEP) as an annex to the EAMR as of January 2016.*

***The MEP will also reinforce the complementarity with ROM, which was already ensured through the selection criteria for ROM reviews, as set out in the new ROM Handbook in force since March 2015 as part of the new ROM system.***

228. (§ 13 (second indent) - 2014/PAR/0465) The European Parliament considers that EuropeAid should, to ensure that the evaluations that are carried out reflect the priorities of the organisation:

– significantly improve its system of monitoring and reporting on the implementation of evaluation plans, including by providing an analysis of the reasons for delays and a description of measures adopted to address them.

**Commission's response:**

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

***The first Monitoring and Evaluation Plans (MEP), received early 2016, have been analysed and feedback is given where appropriate. Day to day monitoring will also be made possible through the Evaluation IT module rolled out since May 2016. The next submission of MEPs (beginning of 2017), together with the analysis of KPI 19, will make it possible to have an annual overview of evaluation implementation compared to the plan, and to take action where necessary.***

229. (§ 13 (third indent) - 2014/PAR/0466) The European Parliament considers that EuropeAid should, to ensure that the evaluations that are carried out reflect the priorities of the organisation:

– strengthen the overall supervision of programme evaluation activities by EuropeAid.

**Commission's response:**

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

***The first Monitoring and Evaluation Plans (MEP), received early 2016, have been analysed and feedback is given where appropriate. Day to day monitoring will also be made possible through the Evaluation IT module rolled out since May 2016. The next submission of MEPs (beginning of 2017), together with the analysis of KPI 19, will make it possible to have an annual overview of evaluation implementation compared to the plan, and to take action where necessary.***

230. (§ 14 (first indent) - 2014/PAR/0467) The European Parliament considers that EuropeAid should, to ensure the quality of programme evaluations and ROMs:

– insist that operational units and delegations apply quality control requirements, including, for programme evaluations, the use of a reference group and documentation of the quality controls that have been performed.

**Commission's response:**

*The Commission is taking the requested action.*

*Strengthened guidance combined with strengthened monitoring and reporting is being implemented. A network of Evaluation Correspondents in EU Delegations and Headquarters is in place to exchange good practices. The IT evaluation ("EVAL") module deployed in May 2016 allows for improved quality control, including use of a reference group and the documentation thereof for programme evaluations. The evaluation managers of the Evaluation Unit in DG DEVCO are part of the reference group for programme evaluations at HQ level when deemed necessary (in function of importance and/or scope of the programme). The establishment of a system to support task managers in carrying out programme evaluations is in the making: a call for tender for an Evaluation Support Service Team (Helpdesk) was launched on 29/09/2015. The Helpdesk will be operational before the end of 2016.*

*For ROM, a quality control and assurance system has been put in place and the new IT ROM module provides the additional information management tool to support the monitoring of quality.*

231. (§ 14 (second indent) - 2014/PAR/0468) The European Parliament considers that EuropeAid should, to ensure the quality of programme evaluations and ROMs:

– check, on a regular basis, the application of these controls.

**Commission's response:**

*The requested action has been taken.*

*For evaluations, the new IT evaluation ("EVAL") module put in production on 11 May 2016, to be used for each project evaluation, follows a quality process which will be regularly checked. For ROM, a quality control and assurance system has been put in place and the new IT ROM module provides the additional information management tool to support the monitoring of quality. This is further supported by*

*the regular specific quality control reporting to be ensured by the ROM contractors.*

232. (§ 15 (first indent) - 2014/PAR/0469) The European Parliament considers that EuropeAid should, to enhance the evaluation system's capability to provide adequate information on results achieved:

– apply more rigorously the regulatory provisions requiring the use of SMART (specific, measurable, achievable, relevant and time-related) objectives and verifiable indicators.

**Commission's response:**

*The requested action has been taken.*

*The use of SMART objectives and verifiable indicators is a continuous process to be ensured and promoted at various levels: it is already a reality for the programming documents 2014-2020.*

*The Action Document template to be used for each individual action to be financed has been revised to better integrate the results focus and appropriate related guidance has been provided to the Delegations and HQ services; the practical compliance with the new requirements is furthermore supported and monitored through an systematic internal quality support put in place in DG DEVCO since October 2015.*

233. (§ 15 (second indent) - 2014/PAR/0470) The European Parliament considers that EuropeAid should, to enhance the evaluation system's capability to provide adequate information on results achieved:

– modify the monitoring system so that it continues to provide data on programmes until at least 3 years after their completion.

**Commission's response:**

*The Commission will not be taking the requested action. The reason for this is that the cost benefit is not proven. The Commission recalls that the recommendation of the Court of Auditors on this point is exclusively based on the EIB's monitoring system related to a completely different configuration of implementation, compared to the projects funded by Commission-managed grants, which can therefore not be replicated with respect to the latter.*

234. (§ 15 (third indent) - 2014/PAR/0471) The European Parliament considers that EuropeAid should, to enhance the evaluation system's capability to provide adequate information on results achieved:

– increase significantly the proportion of ex post programme evaluations.

**Commission's response:**

*The requested action has been taken.*

*The Commission did not agree "a priori" on an increase of the proportion of ex-post evaluations. However, an improvement of the rationale of project and programme evaluations and their timing (interim and/or final and/or ex-post) is necessary. The planning thereof is strengthened both through the requirements included in the new Action Document template applicable since January 2015 and the new Monitoring and Evaluation Plan (MEP) which instructions were sent in December 2015. This represents a continuous process.*

*The Commission also recalls the important strengthening of reporting on results of projects it has initiated with the introduction of the results framework and the annual results reporting introduced as from 2016, comprising both aggregated and non-aggregated results information. The Commission is in the process of setting up a new information management system that should further strengthen the Commission's capacity to monitor and report results.*

**Part III – Special Report No 23/2014 of the Court of Auditors entitled "Errors in rural development spending: what are the causes and how are they being addressed?"**

235. (§ 29 - 2014/PAR/0472) The European Parliament calls for a real simplification of the CAP, together with clearer guidance for national authorities and farmers.

**Commission's response:**

*The Commission has completed the simplification process as regards certain aspects of the CAP controls and penalty rules (Regulation (EU) No. 809/2014 and 640/2014) and rural development (Regulation (EU) No. 807/2014)*

*Furthermore, the Commission has issued and updated guidance material on rural development programming and implementation, In particular, guidance fiches have been published for every measure, guidance documents on certain general aspects (programming, selection and eligibility criteria, public procurement,*

***verifiability and controllability of measures, rules on controls and penalties) and several common guidance documents for all ESI Funds.***

236. (§ 30 - 2014/PAR/0473) The European Parliament considers that the cost of management and controls (EUR 4 billion) for the whole CAP is substantial and that the emphasis should be put on improving the efficiency of the controls and not increasing their number; in this context appeals to the Commission and Member States to focus on the root causes of errors in rural development spending.

**Commission's response:**

***The Commission agrees with the position that no more, but better controls are needed. In this context, the Commission has been working closely with the Member States to identify and correct the root causes of errors in rural development. There have been 6 Seminars on Error Rates (last one on 16/03/2016) with all managing authorities and paying agencies of the Member States and 5 update exercises to update and adapt their action plans to reduce the error rate. Moreover, the Member States carried out a thorough assessment of the verifiability and controllability of every single measure programmed in the RDP, before its approval by the Commission. Therefore, Member States are now aware of the main risks and causes of errors in rural development spending, taking corrective and preventive actions when needed.***

237. (§ 31 - 2014/PAR/0474) The European Parliament requests that the Commission closely monitor the implementation of the rural development programmes and take account in its conformity audits of the applicable rules including those adopted at national level where relevant, in order to reduce the risk of repeating weaknesses and errors encountered during the 2007-2013 programming period.

**Commission's response:**

***The approval of the 2014-2020 Rural Development programmes required the submission of a joint assessment carried out by paying agency and managing authority, on the verifiability and controllability of the measures programmed, taking into account weaknesses found under similar operations during the precedent programming period. The continuous monitoring of the Commission in the framework of annual review meetings or Monitoring Committees, allows for a systematic reaction whenever serious audit findings are identified in conformity clearance procedures, audits by the European Court of Auditors or findings of the Certification Body.***

238. (§ 32 - 2014/PAR/0475) The European Parliament calls on the Commission to apply a uniform error-rate calculation methodology that could be fully reflected in the methodologies of Member States.



**Commission's response:**

*The CAP budget is governed in shared management, which means the responsibility of managing the budget lies with the Member States. Therefore, it is for the Member States to carry out the administrative and on-the-spot checks to ensure that support is disbursed in accordance with the applicable legislation. The results of these checks are reported to the Commission as error rates established at Member States' level.*

*The Commission lays down rules on how the checks should be executed, so that the same criteria are used throughout the EU. The Commission also provides detailed guidelines on the audit work to be done by the Certification Bodies for giving an opinion on the legality and regularity of the underlying transactions. If the Commission considers that weaknesses in the management and control system lead to understatements in the reported error rates and/or cannot rely on the opinion of the certification Body, it applies adjustments. The adjustments are disclosed precisely each year in the DG AGRI Annual Activity Report.*

239. (§ 33 - 2014/PAR/0476) The European Parliament supports a more intensive use of simplified cost methods where relevant and in compliance with legislative rules, and requests that the Commission and the Member States analyse to what extent the characteristics of a more focused scope, limited eligibility criteria and the use of simplified cost options can be replicated in the design and implementation of an increased number of support measures, without jeopardising the overall objectives of those measures.

**Commission's response:**

*The Commission is actively promoting the use of simplified cost options under the rural development programmes. The Commission has organised to date 3 workshops in Brussels (one of them on Leader) and 4 workshops in the Member States (Madrid, Rome, London and Riga). Guidance material has been developed and presented to Member States, some in coordination with other ESI Funds. The European Network for Rural Development (ENRD) is also fully engaged in facilitating the exchange of good practices and developing tailor-made systems.*

240. (§ 34 - 2014/PAR/0477) The European Parliament requests that the Commission and Member States analyse how to improve the scheme for supporting investments in the processing of agricultural products and also analyse the agri-environment payments measure so that, as far as possible, commitments can be controlled via Member States' administrative checks.

**Commission's response:**

*As regards the second part of the recommendation, it is up to Member States to design their systems of checks and controls. The Commission has insisted in a letter to all Member States the need to check as much as possible in the administrative stage, which covers 100% of the payment claims.*

*As regards the first part of the recommendation, the Commission notes that it can only be partially accepted as it cannot prejudge the scope and the result of such analysis or future policy choices by the legislators for the next programming period.*

*In 2017 the Commission will prepare a strategic report of the Fund, summarising the annual progress reports submitted by Member States (Article 53 Regulation 1303/2013). Furthermore, the Commission and the Member States will assess the performance of the RDPs during the review process foreseen under Article 21 Regulation 1303/2013. In the light of these and other evidences (e.g. audit findings), the Commission will assess the policy conception and the eventual need to make proposals for the following programming period.*

*At the end of the programming period, the Commission will make a thorough analysis of the continued need for each support measure before making a proposal for the following programming period as has been done for the present period.*

241. (§ 35 - 2014/PAR/0478) The European Parliament appeals to the Commission to perform a detailed causal analysis of negative correlations between the financial execution rate and the error rate.

**Commission's response:**

*The Court concludes on a correlation between the financial execution rate and the error rate, but does not provide any detailed analysis of that phenomenon (as stated in paragraph 21). In the last three years the Commission and the Member States have done a considerable work on identifying the causes of errors and setting specific and detailed action plans to remedy the deficiencies observed. These efforts focus on actions to be taken, their implementation and monitoring and, where necessary, the application by the Commission of preventive (interruption, reduction or suspension of payments to Member States) or corrective (net financial corrections) actions. Commission resources will continue to be forward looking and used for improving further the sound financial management of the CAP.*

**Part IV – Special Report No 24/2014 of the Court of Auditors entitled "Is EU support for preventing and restoring damage to forests caused by fire and natural disasters well managed?"**

242. (§ 36 - 2014/PAR/0479) The European Parliament calls on the Commission to establish common criteria to identify the scale of fire risk in European forests, in order to end the arbitrary and inconsistent definition of high fire risk areas and therewith the deficient evaluation and selection process by Member States.

**Commission's response:**

*The Commission is in the process of consulting with the Expert Group on forest fires to set up common criteria. As forest types, fire vulnerability, geographical and climatic conditions and fire danger levels are very diverse throughout the EU, a joint exercise with different Commission services and the Member States will be time-consuming, but results can be expected in 2018.*

243. (§ 40 - 2014/PAR/0480) The European Parliament deplores especially the Court's finding of continued severe deficiencies in the period 2014-2020 due to the consistently poor monitoring framework; urges the Commission to take immediate action to improve its monitoring and control system.

**Commission's response:**

*The 2014-2020 Common Monitoring and Evaluation System (CMES) will monitor the implementation of the measures, whereas the evaluation will consider its performance in the context of the relevant RD objectives. A more thorough assessment of the effectiveness of all measures against the objectives will be performed at the time of the ex-post evaluation. However, a balance needs to be found between what can be done through monitoring and evaluation taking into account the risk of excessive administrative burden and the financial constraints.*

244. (§ 41 - 2014/PAR/0481) The European Parliament calls on the Commission to support the delivery of harmonised data on the multifunctional role of forests and forest resources, by encouraging the establishment of an European forest information system based on national data and its integration into an European data platform.

**Commission's response:**

*The Commission will support initiatives, especially sponsored by DG ENV and JRC, to improve the analysis of existing data and availability of new sources of information on this topic.*

245. (§ 42 - 2014/PAR/0482) The European Parliament insists in addition that Member States establish a sound control system that includes retention of relevant documents and information; calls in this regard on the Commission to ensure that support is only granted where Member States have established such an appropriate and reviewable control system.

**Commission's response:**

*The Commission carries out conformity audits in the Member States to verify that the expenditure paid is in compliance with the rules. If during the audit weaknesses are found, financial corrections are applied.*

*The measures and the paying agencies to be audited are determined on the basis of a risk analysis. The financial importance plays a major role in the quantification of the exposure to risk. That means that an audit area with high expenditure is more likely to be highly ranked and audited. Measure 226 was audited in 2014 and 2015.*

*The Court's relevant recommendation has been implemented through assessment of rural development programmes submitted for 2014-2020 period and compliance audits will be conducted during the implementation period by 2020.*

**Part V – Special Report No 1/2015 of the Court of Auditors entitled "Inland Waterway Transport in Europe: No significant improvements in modal share and navigability conditions since 2001"**

246. (§ 46 - 2014/PAR/0483) The European Parliament concludes that development of the inland waterways mode of transport lags behind the pace of road and rail transport despite a decade of investment; urges a significant increase in the efforts of the Commission and the Member States.

**Commission's response:**

*The Commission partially accepts the recommendation, as it notes that the recommendation is also addressed to the Member States. Inland waterway transport has been one of the fastest growing modes of land transport over the last decade. The Commission has stepped up its efforts with the implementation of the NAIADES programme. The Commission acknowledges that also the Member States need to step up their efforts and investment to support the further development of this mode of transport.*

247. (§ 55 - 2014/PAR/0484) The European Parliament recommends that both the Commission and the Member States pay common commitments the utmost attention because the Union's transport sector operates in a complex environment of economic,

political and legal variables where the establishment of multimodal networks meets obstacles and constraints related to diverging priorities and inconsistent engagement.

**Commission's response:**

*The Commission accepts the recommendation insofar it is concerned by it, but notes that it is partly addressed to the Member States. The establishment of multimodal networks is underpinned by the TEN-T Regulation which is being implemented with the support of the CEF, ESIF and EFSI programmes and instruments. The TEN-T Regulation sets target dates by 2030 and 2050 respectively for the completion of the core and comprehensive TEN-T network. The Commission is fully implementing the supporting instruments and supports the call of the European Parliament to the Member States to live up to the commitment of the full implementation of the TEN-T. The Commission will take stock of progress with the implementation of these commitments in 2017.*

248. (§ 63 - 2014/PAR/0485) The European Parliament recommends that the Commission identify and analyse all horizontal issues, focusing extensively on strategic planning, cooperation with and between the Member States and project selection and implementation, in order to allow the conclusions to be taken into consideration in the current programming period.

**Commission's response:**

*The Commission will take the requested action and will work through the elaboration of the Corridor working plans on a strategic planning for the implementation of the TEN-T programme. These working plans have been approved in 2015. Updates are foreseen for 2016 and 2017. They support project selection and implementation.*

249. (§ 65 - 2014/PAR/0486) The European Parliament recommends that the Commission focus its funding on those projects that are most relevant for inland waterway transport and offer comprehensive plans to eliminate bottlenecks.

**Commission's response:**

*The Commission partially accepts the recommendation, as its focus is bound by the existing legal framework. The TEN-T corridor work plans offer a comprehensive approach to planning the elimination of bottlenecks over a time span until 2030. These work plans will be gradually be refined and will offer input and support for the mid-term review of the CEF programme. The focus will be on those projects which are consistent with the implementation of the TEN-T core network, including inland waterway transport projects.*

250. (§ 66 - 2014/PAR/0487) The European Parliament recommends that the Commission prioritise funding of projects and initiatives in Member States aiming to improve waterway transport through innovative solutions such as high-tech navigation, alternative fuels and efficient vessels.

**Commission's response:**

*The Commission will take the requested action and will continue to support innovative solutions to support the development of inland waterway transport through its CEF and HORIZON2020 programmes.*

251. (§ 67 - 2014/PAR/0488) The European Parliament recommends that the Commission improve awareness among the Member States and their regions on available funding instruments for supporting inland waterway transport in view of eliminating existing bottlenecks along the key corridors.

**Commission's response:**

*The Commission will take the requested action and is funding the operation of a database which provides information on funding opportunities for inland waterway transport at EU, national and regional level. The Commission also finances the establishment of a European Inland Barging Innovation Platform which provides also promotes the update of funding instruments to support innovation in inland navigation.*

252. (§ 70 - 2014/PAR/0489) The European Parliament calls on the Commission to update its strategic goals and recommendations for the Inland waterway and to propose a Union inland waterways strategy and action plan for 2020 onwards.

**Commission's response:**

*The Commission will in 2017 take stock of the progress with the implementation of the NAIADES programme with a view to propose a Union inland waterways strategy and action plan for 2020 onwards.*

253. (§ 71 - 2014/PAR/0490) The European Parliament recommends that the ex ante evaluation of operations by the Commission concerning the inland water transport assess outcomes in the context of the overall objectives set since 2001 and the realisation of the Core Network.

**Commission's response:**

*The Commission will in 2017 take stock of the progress with the implementation of the NAIADES programme with a view to propose a Union inland waterways strategy and action plan for 2020 onwards and proceed with the mid-term evaluation of the CEF programme. These actions will assess progress against the objectives in force at the time of the adoption of the respective instruments.*

**Part VI – Special Report No 2/2015 of the Court of Auditors entitled "EU-funding of Urban Waste Water Treatment plants in Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives"**

254. (§ 76 - 2014/PAR/0491) The European Parliament asks the Commission to provide technical, legal and administrative help to beneficiaries in order to ensure the completion of the ongoing projects in due time.

**Commission's response:**

*Technical Assistance can be used to reduce the administrative burden for beneficiaries. The JASPERS (Joint Assistance to Support Projects in European Regions) facility offers assistance, including legal advice, for EU-funded projects. During the implementation of programmes, the objective of reducing the administrative burden for beneficiaries is monitored by the Monitoring Committees.*

**Part VII – Special Report No 3/2015 of the Court of Auditors entitled "EU Youth Guarantee: first steps taken but implementation risks ahead"**

255. (§ 87 - 2014/PAR/0492) The European Parliament asks the Commission to make sure that further funds can be found to support the Youth Guarantee over the seven-year period.

**Commission's response:**

*The Commission accepts the recommendation.*

*Addressing youth unemployment through the Youth Guarantee remains a key priority of the EU. The legislation envisages that a potential increase of the resources of the Youth Employment Initiative (YEI) will be based on 2016 annual youth unemployment data. This year, the Commission will assess the first results of the scheme and the needs on the ground as evidenced by the Member States' YEI evaluations before considering a proposal for a decision by the EU co-legislators. Member States are currently using YEI resources available for spending until end-*

***2018. The Commission will report on the implementation of the Youth Guarantee to the European Parliament and the Council by the end of 2016.***

***However, although significant EU financial support is available to make the Youth Guarantee a reality, Member States must prioritise youth employment measures also in their national budgets. Moreover, in a number of Member States the financial resources of the ESF and the YEI are not as substantial as in other Member States and more generally, in some cases EU resources are likely not to be sufficient to complete the ambitious reforms required to implement the Youth Guarantee. Therefore, the investment of national resources for the establishment of fully-fledged Youth Guarantee schemes is crucial.***

***At the same time, it should be recalled that not all measures that the Youth Guarantee Council Recommendation calls for are expensive in terms of public expenditure (e.g. improving coordination and exchange of information across different levels of government, employment, education and training services, and between these services and employers do not necessarily require large budgets, but significantly contribute towards the success of the Youth Guarantee).***

256. (§ 89 - 2014/PAR/0493) The European Parliament finds the financing of the Youth Guarantee scheme very complex given the various funding options available through the European Social Fund (ESF) and the Youth Employment Initiative (YEI); asks the Commission to provide guidance to Member States' authorities taking into due consideration that local, regional and national authorities face different challenges when implementing the scheme and therefore require specific guidelines.

**Commission's response:**

***The Commission is actively supporting the programming process through guidance documents, regular meetings with Member States and technical seminars. It has provided to Member States specific documents both in the context of the ESF as well as a guidance note on YEI programming: <http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en>.***

***Moreover, the Commission regularly meets the Managing Authorities (the same for ESF and YEI programmes) at every ESF Technical Working Group Meeting since 2014.***

***Finally, it should be recalled that EU funds support to the YG goes beyond direct YEI and ESF measures for young persons' training and employment measures. The ESF also supports labour market services modernisation, self-employment, education and social inclusion measures — which partly also support youth employment from a structural reform point of view. Beyond EU funds, national budgets also support YG implementation – in many MS also substantially.***

257. (§ 93 - 2014/PAR/0494) The European Parliament asks the Commission to develop a comprehensive monitoring system including a set of standards to assess the



implementation of the Youth Guarantee measures and to evaluate their success in Member States; invites also the Commission to consider the inclusion of compulsory targets for fighting youth unemployment within the framework of the European semester.

**Commission's response:**

*The Commission partially accepts the recommendation.*

*Thorough and regular monitoring is of utmost importance for the successful implementation of Youth Guarantee schemes.*

*The Commission has developed a comprehensive monitoring system through various channels:*

*- The Indicator Framework for Monitoring the Youth Guarantee, developed by the Employment Committee, as endorsed by the EPSCO Council.*

*- The relevant arrangements that are set out in article 19 and Annex I and II of the ESF Regulation.*

*- The relevant CPR provisions related to monitoring and evaluation in the case of measures financed from the YEI.*

*- The commitment to report on the implementation of the Youth Guarantee to the European Parliament and the Council in 2016. The Commission's 2016 report on the implementation of the Youth Guarantee, will be formally submitted to the European Parliament and the Council through the appropriate channels.*

*Furthermore, monitoring activities are feeding into the Commission's assessment of the Youth Guarantee implementation under the European Semester process. The Employment Committee – in its preparation of Council deliberations – pursues as well multilateral surveillance on the implementation of YG schemes in Member States.*

*The Indicator Framework foresees yearly data collection by Member States. It is based on macroeconomic, implementation and follow-up indicators which, taken together, are providing a holistic view of Youth Guarantee schemes' impact on the labour market situation of young people across Europe. The data collected give an indication of the efficiency and coverage of the YG schemes in Member States, including in terms of sustainable labour market outcomes for young people after the provision of a Youth Guarantee offer.*

*Regarding the inclusion of compulsory targets for fighting youth unemployment, the Commission notes that within the framework of the European Semester, analysis is based on a number of key indicators to analyse the performance of Member States. The Europe 2020 Strategy provides the most relevant indicators, including an employment rate target to be achieved. Together with the Annual*

*Growth Survey, the overall policy guidance to Member States, the Commission publishes a Draft Joint Employment Report in which a Scoreboard of key employment and social indicators is used: The Youth unemployment rate and the NEET rate are among the six key indicators to identify a country's key challenges.*

*Moreover, the latest edition of the Macroeconomic Imbalances Scoreboard contains three new employment indicators - namely the activity rate, long-term and youth unemployment. The inclusion of new employment variables in the scoreboard is a concrete deliverable on the Commission's commitment to strengthen its analysis of macroeconomic imbalances. However, these indicators are not used as compulsory targets. The economic governance process is based on country specific analysis and recommendations. The Commission proposes country-specific recommendations regarding each Member State based on its assessment of the national programmes and of the economic and social situation of the country, also incorporating the outcome of the Commission's (spring) forecast. The recommendations identify a limited number of main issues of macroeconomic and social relevance in the national economy that Member States should address as a priority in the coming 12 to 18 months.*

258. (§ 100 - 2014/PAR/0495) The European Parliament asks the Commission to deploy a comprehensive monitoring scheme which includes the Indicator Framework for Monitoring the Youth Guarantee in combination with the planned result indicators, focusing on outcomes and assessing the employment status of individuals benefiting from the youth employment measures.

**Commission's response:**

*The Commission accepts the recommendation.*

*Thorough and regular monitoring is of utmost importance for the successful implementation of Youth Guarantee schemes.*

*The Commission has developed a comprehensive monitoring system through various channels:*

*- The Indicator Framework for Monitoring the Youth Guarantee, developed by the Employment Committee, as endorsed by the EPSCO Council.*

*- The relevant arrangements that are set out in article 19 and Annex I and II of the ESF Regulation.*

*- The relevant CPR provisions related to monitoring and evaluation in the case of measures financed from the YEI.*

*- The commitment to report on the implementation of the Youth Guarantee to the European Parliament and the Council in 2016. The Commission's 2016 report on*

*the implementation of the Youth Guarantee, will be formally submitted to the European Parliament and the Council through the appropriate channels.*

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**Part VIII – Special Report No 4/2015 of the Court of Auditors entitled "Technical assistance: what contribution has it made to agriculture and rural development?"**

259. (§ 103 - 2014/PAR/0496) The European Parliament asks the Commission to clarify the scope and application of technical assistance to Member States in the area of rural development.

**Commission's response:**

*The Commission has issued guidance on the implementation of technical assistance expenditure under RDPs 2014-2020, aligned with the other ESI Funds. Moreover, the Commission has screened and provided comments on the content of technical assistance description in each of the programmes, taking into account recommendations and observations of the Court of Auditors.*

260. (§ 104 - 2014/PAR/0497) The European Parliament asks the Commission to monitor closely Member States' implementation of technical assistance.

**Commission's response:**

*The Commission follows closely the implementation of technical assistance through the annual review meetings, the monitoring committees, quarterly declarations of expenditure and controls statistics submitted by Member States, audit reports from the Commission and the Court of Auditors and reports of the Certification Body.*

261. (§ 105 - 2014/PAR/0498) The European Parliament asks the Commission to take appropriate measures to ensure that general administrative expenditure such as regular IT maintenance is not charged to technical assistance budget lines.

**Commission's response:**

*The Commission has included in observation letters submitted to Member States before programme approval the need to ensure proper attribution of technical assistance expenditure to the types of costs described in the legal provisions. In particular, expenditure paid and declared should be exclusively linked to the rural development programme and Member States should ensure adequate verifiability and controllability.*

262. (§ 106 - 2014/PAR/0499) The European Parliament asks the Commission to require, in future, Member States to report administrative/‘budget support’ costs for rural development separately so as to make it more transparent that part of technical-assistance funding is spent on such support.

**Commission's response:**

*The Commission has amended the guidelines for reporting in the Annual Implementation Report by the Member States, requesting specific information of purely administrative expenditure paid out of the technical assistance budget of the programmes.*

263. (§ 107 - 2014/PAR/0500) The European Parliament asks the Commission to establish with Member States a suitable performance framework for technical-assistance funding.

**Commission's response:**

*The Commission has included in observation letters submitted to Member States before programme approval the need to have a more performant-oriented budgeting as regards technical assistance. In particular, it was requested to Member States the inclusion of SMART objectives, which are measureable and focused on results. The inclusion of such additional types of indicators lays under the responsibility of Member States.*

**Part IX – Special Report No 5/2015 of the Court of Auditors entitled "Are financial instruments a successful and promising tool in the rural development area?"**

264. (§ 108 - 2014/PAR/0501) The European Parliament requests that the Commission identify the challenges, specific characteristics and obstacles faced in rural development in order to encourage Member States to better set up and assess the budgetary demand for financial instruments and to avoid over-capitalisation, which commits funds without contributing to the implementation of Union policies; requests also that access for final beneficiaries be facilitated to allow for a more active implementation of financial instruments at regional level, in particular in comparison to grants.

**Commission's response:**

*Under the regulatory framework for 2014-2020 MSs are invited to examine their programme area and identify market failures or suboptimal investment situations, and the CPR provides for the possibility to introduce financial instruments if found adequate to address the identified constraints (Article 37 of Reg 1303/2013/EU). The Commission launched fi-compass (<https://www.fi-compass.eu/>) in cooperation with EIB in order to facilitate the capacity building and awareness raising Fi-compass, which additionally offers good venue for the Commission for collecting experiences from MSs and other stakeholders. Using these opportunities DG AGRI is continuously monitoring the needs, challenges, specific characteristics and obstacles faced in rural development and feeds these inputs into its policy development.*

265. (§ 109 - 2014/PAR/0502) The European Parliament request that the Commission and Member States implement monitoring systems that allow evaluation of the effectiveness of the financial instruments.

**Commission's response:**

*Article 40 and 46 of Reg 1303/2013/EU provides for arrangements on monitoring and control of financial instruments, further detailed in Commission Implementing Regulation 821/2014/EU and Commission Delegated Regulation 480/2014/EU.*

266. (§ 110 - 2014/PAR/0503) The European Parliament requests that the Commission provide guidance and actively promote a higher quality of mandatory ex ante assessments for financial instruments, as introduced for the 2014-2020 programming period, so as to identify specific weaknesses and to avoid over-capitalisation.

**Commission's response:**

*Under the regulatory framework for 2014-2020 MSs considering establishing financial instruments are required to carry out a thorough ex-ante assessment providing evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported (Article 37 of Reg 1303/2013/EU). The Commission provides assistance to MSs in various forms in order to help them carry out quality ex-ante assessments. The EIB and the Commission (involving PWC) published ex-ante methodologies for financial instruments in the 2014-2020 programming period, available on fi-compass webpage (<https://www.fi-compass.eu/>) launched by the Commission in cooperation with the EIB. Fi-compass already organized numerous conferences and workshops, seminars for MSs and other interested stakeholders to share experience and help identifying the potentials of financial instruments. Free of charge targeted coaching has been also made available for Managing Authorities under fi-compass. Further assistance is provided in the form of guidance notes, direct consultations.*

267. (§ 111 - 2014/PAR/0504) The European Parliament requests that the Commission and the Member States perform a thorough assessment prior to the future use and development of financial instruments in the area of rural development on the basis of their contribution to the implementation of Union policies and effectiveness for beneficiaries.

**Commission's response:**

*Under the regulatory framework for 2014-2020 MSs considering establishing financial instruments are required to carry out a thorough ex-ante assessment providing evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported (Article 37 of Reg 1303/2013/EU).*

268. (§ 112 - 2014/PAR/0505) The European Parliament requests that the Commission and the Member States decide on clear transitional rules between programming periods to promote the long-term effects and sustainability of financial instruments.

**Commission's response:**

*The Commission has adopted its transitional rules under the COMMISSION DECISION of 5.3.2015 on the approval of guidelines on the closure of the rural development programmes adopted for assistance from the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013. FEI from 2007-2013 can be operational till the end of 2015, after which date new FEI has to be established due to the entrance in force of the new, more comprehensive and different legal basis for the period 2014-2020.*

269. (§ 116 - 2014/PAR/0506) The European Parliament requests that the Commission provide clearly defined operational implementing rules, including the exit policy, in due time and before the closure of the 2007-2013 programming period.

**Commission's response:**

*The Commission has established its guidance for closure in close co-operation and discussions with Member States under the COMMISSION DECISION of 5.3.2015 on the approval of guidelines on the closure of the rural development programmes adopted for assistance from the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013. Rules on so-called financial engineering actions are detailed under point 3.6. Specific eligibility rules applicable to financial engineering actions. The exit policy of FEI, however, is a matter defined in the funding agreements signed between the Member States and the Fund manager as required by the EU legislation.*

**Part X – Special Report No 6/2015 of the Court of Auditors entitled "The integrity and implementation of the EU ETS"**

270. (§ 119 - 2014/PAR/0507) The European Parliament welcomes the fact that significant improvements to the framework for protecting the integrity of the ETS have been implemented, including most of the spot market for allowances in the Financial Instruments Directive (Directive 2004/39/EC and Directive 2000/12/EC) and market abuse directive (Directive 2014/57/EU) and regulation (Regulation (EU) No 596/2014); calls on the Commission to consider complementary measures in line with the Court's recommendations, including measures covering compliance traders.

**Commission's response:**

*A well-balanced regime for emission market regulation and oversight is currently being put in place with the implementation of the MiFID2 (revised Markets in Financial Instruments Directive) package. MiFID2 contains very limited exemptions for compliance traders in the emissions market. The potential risks have been thoroughly analysed during the adoption process. It is foreseen that these exemptions for compliance traders and smaller participants will be reviewed as part of the mid term review of the legislation.*

271. (§ 120 - 2014/PAR/0508) The European Parliament urges the Commission and the Member States to ensure transparency and effective Union level oversight of the emissions market and procedures for cooperation involving national regulators and the Commission.

**Commission's response:**

*The implementation of the adopted EU financial markets legislation will ensure transparency and adequate EU-level supervision. The Commission services continue to be present as relevant in the ESMA board/standing committees/working groups and to be in contact with ACER. The need for any complementary options for promoting initiatives to strengthen further the regulatory cooperation involving other regulators and supervising authorities will be considered.*

272. (§ 125 - 2014/PAR/0509) The European Parliament requests an assessment by the Commission of industrial sectors and companies vulnerable to carbon leakage to clearly identify areas where loss of business for the European industry to countries without strict climate legislation have occurred.

**Commission's response:**

*In the phase 3 of the EU ETS (2013-2020) a carbon leakage regime, based on a carbon price of €30, is in place. It is not expected that the price will reach this level over the remaining years of this phase. However, the Commission is continuously monitoring the potential impact of EU ETS on industrial sectors. For example, a recent study commissioned by DG Climate Action collected factual evidence on potential occurrence of carbon leakage in key energy-intensive industries. The study clearly concluded there has been no evidence of carbon leakage during the phases 1 and 2 of the EU ETS (2005-2012).*

*The Commission's proposal for the revision of the EU ETS for phase 4 (2021-2030) adopted in July 2015 again continues to address the risk of carbon leakage by continuation of free allocation, aiming to ensure that European industries remain competitive on international markets. The proposal is accompanied by a thorough impact assessment which, inter alia, considered the impact of different policy options on largest EU ETS industrial sectors.*

**Part XI – Special Report No 7/2015 of the Court of Auditors entitled "The EU police mission in Afghanistan: mixed results"**

273. (§ 126 - 2014/PAR/0510) The European Parliament requests that the Commission and the European External Action Service (EEAS) apply the lessons learnt not only from the EUPOL mission in Afghanistan but also from other Common Security and Defence Policy (CSDP) missions with the aim of facilitating knowledge transfer and synergy effects among different missions.



**Commission's response:**

*Within the EEAS there is a Lessons Learnt and Best Practices cycle both on strategic as on operational levels. In November 2015, updated Revised Guidelines on the Lessons Learnt Process for civilian CSDP missions were adopted by the Civilian Operations Commander and shared with the CSDP Missions, with the aim to further reinforce the follow up to lessons identified.*

*Furthermore, the EEAS is developing a set of horizontal thematic operational guidances (on policing, Rule of Law matters for instance) with the aim at improving the planning and conduct of civilian CSDP missions.*

274. (§ 128 - 2014/PAR/0511) The European Parliament requests that the Commission and the EEAS create synergies and cross-references among project activities as well as a strong and efficient linkage between the mission objectives and the milestones laid down in the Mission Implementation Plan (MIP).

**Commission's response:**

*Civilian CSDP missions have increased the coherence of their activities when pursuing the objectives set by EU Member States under their respective mandates. Missions have improved the planning and monitoring of their activities, as part of their Mission Implementation Plan (MIP). Regular missions' internal processes have been put in place and are used for this purpose. Missions' MIPs are fully structured along the Mission's mandate objectives.*

*The EU's contributions to the UNDP administered Law and Order Trust Fund for Afghanistan (LOTFA) complement the CSDP Mission EUPOL in a comprehensive approach and contribute to the orderly phasing out of this Mission by addressing the same priority areas with different means and building upon achievements by EUPOL. EUPOL is participating in and contributing to LOTFA donor working groups with technical expertise ensuring consistency and synergies with EUPOL activities. The EU's contributions to LOTFA are mutually reinforcing with EU Member States' activities and priorities also in the wider political-military context and coordinated through the LOTFA governance structures as well as wider and well established coordination structures such as the Oversight and Coordination Body (OCB).*

275. (§ 130 - 2014/PAR/0512) The European Parliament requests that the Commission and the EEAS coordinate CSDP missions more thoroughly in advance with other Union bilateral missions and international efforts with similar objectives.

**Commission's response:**

*The EU is an advocate for the comprehensive approach. The first step in the current Crisis Management Procedures (2013) for an EU external engagement is to develop an overall EU approach - the Political Framework for Crisis Approach (PFCA). In this framework all EU instruments (including security/CSDP) have been considered, as well as efforts of other international actors (e.g. UN) and bilateral efforts by individual EU Member States. The PFCA could be the starting point of a CSDP mission, but it could also focus on diplomatic or economic efforts.*

276. (§ 131 - 2014/PAR/0513) The European Parliament requests that the Commission and the EEAS pay particular attention to procurement procedures to ensure that they are responsive to the CSDP's operational needs.

**Commission's response:**

*CSDP missions implement the EU budget indirectly. To ensure the soundness of that implementation, CSDP missions apply the EU Financial and procurement rules to their own procurement procedures. The Commission has traditionally interpreted the procurement rules with the highest degree of flexibility possible and consider that these rules are sufficiently flexible. Besides the existing framework contracts already in place to alleviate the procedures for the missions and get best value for money, additional ones will be set-up in particular through the new mission support platform. In addition, the Commission has drafted guidelines to the Missions identifying all flexible procedures applicable to them. Finally, the Commission provides support to the mission's procurement officers.*

277. (§ 132 - 2014/PAR/0514) The European Parliament requests that the Commission and the EEAS further increase the effectiveness of their CSDP missions by improving the long-term sustainability of the outcomes achieved.

**Commission's response:**

*Civilian CSDP Missions have improved the way they provide their support to local authorities by focusing it on those areas enabling sustainable outcomes (for instance on structural reforms, training capacity, operational procedures). Coordination is also strengthened with Commission services at HQs or local level.*

278. (§ 133 - 2014/PAR/0515) The European Parliament requests that the Commission and the EEAS observe the Union's achievements after the phasing out of EUPOL by the end of 2016, including the possibility of a further commitment beyond 2016.

**Commission's response:**

*The Commission, mainly via the EU Delegation, and the wider international community work together with their Afghan counterparts on the shared objective to progress towards a sustainable and effective civilian police force under Afghan ownership. The EU will continue its decade-long engagement in support of rule of law and civilian policing as one of its four focal sectors within the DCI Multiannual Indicative Programme (MIP 2014-20, total €1.4bn). Yet the collective efforts to support progress on police professionalization and the rule of law, especially on human rights and the rights of women are fragile and reversible given the context of fragility and the Afghan priority to face the rising insurgency. The EU will continue to champion a civilian policing approach, fiscal sustainability of the security sector and the rule of law through its instruments and in dialogue with the Afghan government and other partners, including NATO as the dominant international actor in the security sector.*

*In the context of the National Unity Government's ambitious state-building agenda and a gradually reinforced Afghan ownership and leadership, MoI reforms can be more firmly tied into the whole-of-government reform agenda which has shown encouraging results in other sectors. The UNDP administered Law and Order Trust Fund for Afghanistan (LOTFA) is expected to remain the main channel for EU contributions under the DCI as the main multilateral channel for civilian assistance to MoI reform and police professionalization, ensuring effective coordination, avoiding a fragmented projectized approach and transitioning to more substantial Afghan ownership on international assistance for reform implementation. Conditional to sustained political support from the Afghan government and consistent engagement by the international community, LOTFA is set to further evolve into a sector-wide support facility for the MoI and ANP, coordinating more effectively than to date with civilian government-wide reform programmes such as the Capacity Building for Results (CBR) public administration reform programme and the implementation of the Public Finance Management Roadmap. The Commission must however use its instruments in full respect of established EU policy and the regulatory framework. Any activities undertaken under the development cooperation instrument must therefore remain compatible with the list of acceptable activities established in this context by the OECD DAC.*

*The first step of the Mission's phasing out was the closure of its Justice/Rule of Law Component at the end of 2015, some activities of which are now followed by the EUSR team as well as other partners. For the remainder of its mandate, the Mission is actively engaged with its Afghan and international partners in order to ensure a smooth transition.*

*As decided by Member States, the EU will continue its support to Afghanistan beyond 2016 in the field of civilian policing possibly by maintaining an expert team in Kabul to further provide technical and strategic advice to the MoI and the ANP.*

279. (§ 134 - 2014/PAR/0516) The European Parliament requests that the Commission and the EEAS develop detailed guidelines well in advance with regard to the downsizing and closure of missions as well as the liquidation of mission assets.

**Commission's response:**

*The EEAS and the Commission developed and are working on more detailed guidelines on closing Missions, on the basis of the already existing guidance. In addition, the EEAS and the Commission closely follow the closure of Missions, on the basis of a detailed liquidation plan prepared by the closing Mission.*

**Part XIII – Special Report No 9/2015 of the Court of Auditors entitled "EU support for the fight against torture and the abolition of the death penalty"**

280. (§ 150 - 2014/PAR/0517) The European Parliament stresses that thinly-spread financing - applied in more than 120 countries worldwide - dilutes the impact of the EIDHR; urges the Commission to prioritise better and to narrow its focus to improve outcomes.

**Commission's response:**

*The Commission has already narrowed the focus of its calls for proposals in the 2015 EIDHR global call for proposals launched in August 2015. The lot dedicated to the fight against the death penalty has been given priority to countries where the death penalty is most in use. In 2016, the fight against torture and ill-treatment will be one of the priority of the call, in accordance with the ECA's recommendation and in line with the Management's recommendations DEVCO – cf. <https://myintracomm.ec.europa.eu/dg/devco/devco-management/simplification-of-devco-processes/Pages/first-set-of-recommendations.aspx> , the fiche CFP 1 which highlights on p. 2: "RECOMMENDATION 1: To limit the number of potential applicants through a better focus, both in terms of geographical and thematic focus of the desired actions as well as through the eligibility criteria".*

*Through the Call for Proposals 2016, the thematic focus of the call regarding the fight against torture has been narrowed, asking for projects encompassing the following three interrelated and mutually reinforcing elements: a) Prevention of torture and other forms of ill-treatment, b) Accountability for torture and other ill treatment, c) Support for rehabilitation of victims of torture.*

281. (§ 153 - 2014/PAR/0518) The European Parliament calls on the EEAS and the Commission to increase and mainstream the effectiveness of human rights dialogues, country strategies and specific guidelines by ensuring that key human rights like the abolition of the death penalty and combating torture are systematically raised at all levels of policymaking with third countries.

**Commission's response:**

*EEAS/EC refers to the EU Action Plan on Human Rights and Democracy in which all EU stakeholders engage to increase coherence and complementarity of existing EU tools, financing instruments and reporting mechanisms used to promote human rights and support democracy. Abolition of the death penalty and combating torture is among the key EU priorities on human rights and systematically raised in our dialogue with countries concerned as well as on multilateral level. Promotion of human rights, and the aforementioned issues in particular, is also part of our dialogue with like-minded countries.*

282. (§ 158 - 2014/PAR/0519) The European Parliament points out that the added value of the country strategies is limited due to their strictly confidential nature; calls on the Commission to give access to the strategies to project assessors to secure maximum added value.

**Commission's response:**

*The Human Rights and Democracy strategies are EU restricted documents. Officials of the European Parliament (security cleared) can consult the strategies in EEAS premises. Once the new Human Rights and Democracy strategies are validated the EEAS commits to sharing a table of priorities by country, as was done for the current generation of strategies. Heads of Missions in the respective country can decide whether the priorities identified in the strategy should be made public, while the document as such remains EU restricted.*

283. (§ 160 - 2014/PAR/0520) The European Parliament calls on the Commission to speed up and simplify the application process to encourage quality projects to apply.

**Commission's response:**

*(1) As of July 2015 PROSPECT, the new online tool that has rendered the call for proposals (CfP) paperless, is used for CfPs under direct management launched by DEVCO/NEAR and FPI. To-date 94.5% of the applicants submit their applications online. Applicants are able to track real-time the status of their application in PROSPECT and receive letters with their evaluation results online. Overall, PROSPECT has revolutionised the Calls for proposals, a process that used to rely heavily on paperwork and the use of postal services. The simplification and efficiency gains from using PROSPECT have been acknowledged by the applicants:*

*o Applicant organisations confirmed that PROSPECT simplifies the application process and provides a better service quality and simplifies the application process (95%) (anonymous survey launched by the EC in 2016).*

*o CONCORD has praised the EC on the simplification and streamlining of the application submission process by the introduction of PROSPECT and the new PADOR (see below). “The online proposal submission system PROSPECT has made the application process more efficient and transparent as it allows monitoring of the status and evaluation of the application. Both systems have not only saved us time (fast online information updates and document uploads) and valuable funds (no need to dispatch the hard copies with courier services) but have also significantly lessened our environmental impact (paperless process).” (Letter of CONCORD to the DDG of DEVCO on 03.06.2016).*

*(2) PADOR, the online database in which applicants to CfPs must register information about the legal and financial profile of their organisation (legal entity) was also significantly simplified in June 2016. The new PADOR is much lighter, more intuitive and user-friendly. It offers a better service to applicants and facilitates the application procedure.*

284. (§ 165 - 2014/PAR/0521) The European Parliament calls on the Commission to clarify the requirements in the logical frameworks for projects to improve results and added value.

**Commission's response:**

*The logical framework template has been updated with a view to increased clarity in the 2015 version of the Practical guide to Procurements and Grants for European Union external actions ([http://ec.europa.eu/europeaid/prag/header\\_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header\\_keywords=ePrag%2C+europa](http://ec.europa.eu/europeaid/prag/header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa)).*

*With regard to measuring the impact of human rights projects, the very specific and often fluid context in which EIDHR projects are implemented shall be taken into account, not to mention that the countries or regions most in need of action as regards torture and death penalty are those where progress on these issues cannot be expected to be straightforward. The difficulty of quantifying human rights issues must also be considered. The Commission does not, therefore, consider specific targets and baselines as tools that could be used in this specific context.*

285. (§ 166 - 2014/PAR/0522) The European Parliament invites the Commission to prepare an in-depth impact assessment of the EIDHR financing and to draw conclusions from such analysis.

The European Parliament welcomes the fact that the Commission is already working on the improved impact assessment of human rights projects and invites the Commission to share the results with the discharge authority.

**Commission's response:**

*The Commission is working on the mid-term review (MTR) of the EIDHR, planned for 2017. Independent auditors have been recruited to carry out an evaluation of the EIDHR. The European Parliament will be consulted as part of this evaluation as well as of the MTR process. In addition, an impact assessment will be carried out for the next generation of external action instruments.*

286. (§ 167 - 2014/PAR/0523) The European Parliament calls on the Commission to clarify the guidance and invites the Commission to reconsider improving the standardised evaluation grids.

**Commission's response:**

*The requested action has been taken.*

*The effective entry into force of PROSPECT (an on-line system for the management of calls for proposals, including submissions from applicants) in July 2015 provides technical safeguards to ensure adherence to the rules ( e.g. the correct evaluation grids are already provided by the system and the assessors cannot deviate from them). The Commission has furthermore introduced the option to re-evaluate the relevance of the action at the full application stage in order to allow colleagues who are closer to the field to have a say in this regard. This should also contribute to a continued high quality of assessments.*

287. (§ 168 - 2014/PAR/0524) The European Parliament requests that the Commission mitigate the shortcomings in its assessment highlighted by the Court.

**Commission's response:**

*The accepted recommendations of the Court have been taken into account in the 2015 and 2016 EIDHR global calls for proposals.*

288. (§ 169 - 2014/PAR/0525) The European Parliament calls on the Commission to ensure that the EIDHR funds are used in an effective manner by securing the feasibility, viability and added value of the projects, which could be done by setting minimum requirements for the results of the project in the calls for proposals.

**Commission's response:**

*With regard to measuring the impact of human rights projects, the very specific and often fluid context in which EIDHR projects are implemented shall be taken into account, not to mention that the countries or regions most in need of action as regards torture and death penalty are those where progress on these issues cannot be expected to be straightforward. The difficulty of quantifying human rights issues must also be considered. The Commission does not, therefore, consider specific targets and baselines as tools that could be used in this specific context. However, as any other external assistance projects, the EIDHR projects include results indicators.*

289. (§ 171 - 2014/PAR/0526) The European Parliament calls on the Commission to improve the consistency of project evaluations.

**Commission's response:**

*The requested action has been taken.*

*The Commission has elaborated detailed "Guidelines for Assessors" for the EIDHR global call for proposals 2015, in order to improve the consistency of the scoring procedure. This practice will be kept in the next EIDHR annual global calls for proposals.*

290. (§ 172 - 2014/PAR/0527) The European Parliament invites the Commission to clarify the rules regarding the flat-rate amount.

**Commission's response:**

*The requested action has been taken.*

*Chapter 19 of the latest version of the DEVCO Companion – The implementation of grants contracts – provides a single, comprehensive and appropriate explanation of the flat-rate concept with respect to indirect eligible costs (point 19.3.1.5./article 14.7: Indirect costs) and is available to the general public, thus ensuring a harmonised interpretation of the standard grant contract by beneficiaries.*

**Part XIV – Special Report No 10/2015 of the Court of Auditors entitled "Efforts to address problems with public procurement in EU cohesion expenditure should be intensified"**

291. (§ 185 - 2014/PAR/0528) The European Parliament welcomes the fact that while the Commission has long addressed the problems of public procurement errors which were evident in the area of cohesion policy, it is now doing so in a more coordinated way under the umbrella of the public procurement action plan; calls in this context



on the Commission to push forward the implementation of this plan and report on its progress annually.

**Commission's response:**

*The Commission is taking the recommended action.*

*In December 2015, the updated action plan has been endorsed by all relevant Commission services and published. Commissioners responsible respectively for Internal market and for Regional and Urban policy are having regular high level meetings (so-called 'jours fixes') to provide political leadership. The last meeting took place on 14 June 2016 with participation of the responsible Vice President. A special working group has also been set-up to coordinate all the efforts, implement the plan, and to monitor and update the actions foreseen.*

*The Commission intends to report regularly on the progress. The action plan is published on the Inforegio website (accessible for all interested stakeholders) and updated regularly.*

**Part XV – Special Report No 11/2015 of the Court of Auditors entitled "Are the Fisheries Partnership Agreements well managed by the Commission?"**

292. (§ 191 - 2014/PAR/0529) The European Parliament asks the Commission to better respect the exclusivity clause; notes that, although some factors do not depend on the Commission, it should start the process of negotiating a new protocol well in advance of the expiry of the current one; urges the Commission to shorten negotiation periods wherever possible.

**Commission's response:**

*This recommendation is being progressively implemented whenever the Commission is entering into negotiations with partner countries or with prospective partner countries, to either negotiate one Agreements or Protocols.*

*The Commission considers that the exclusivity clause is an essential element of Agreements and Protocols which echoes provisions of the Basic Regulation (Article 31 of Regulation (EU) No 1380/2013). It is therefore keen on ensuring its full respect by EU fishing vessels engaged outside EU waters.*

*In that context, the Commission proposal of 10 December 2015 for a Regulation on the sustainable management of external fishing fleets (COM(2015) 636 final) should provide additional guarantee regarding the sustainable character of fishing activity outside EU waters, including for vessels fishing under "direct authorisations", i.e. outside the scope of Sustainable Fisheries Partnership*

*Agreements (SFPAs). Once this Regulation adopted, it would allow for possible review of the exclusivity clause and of the dormant agreements.*

*As for the length of the negotiation process, the Commission is willing to start negotiations as early as possible but recalls that the overall duration of the negotiations depend also on the position taken by third countries and the assessment of the negotiation process by interested parties such as Member States and economic operators.*

293. (§ 192 - 2014/PAR/0530) The European Parliament urges the Commission to improve consistency between the FPAs and other Union initiatives and funding sources in the fisheries sector within the same region, to define regional strategies for the development of fisheries governance and to ensure that protocols negotiated within the same region are consistent with the relevant regional strategy and with other Union funding.

**Commission's response:**

*This Recommendation has been progressively implemented and respected when considering the financial perspectives of the funding provided through the Sustainable Fisheries Partnership Agreements (SFPAs).*

*The new CFP has made “consistency with other Union policies” one of its principles of good governance (Article 3(h) of Regulation (EU) N° 1380/2013). Cooperation with DG DEVCO, both at senior management and desk level, has been enhanced for the last two years with the objective to promote a more efficient use of the financial support provided by the EU, either through SFPAs or EDF (European Development Fund), and by other donors. In addition, the Fisheries Attachés in the EU Delegation also contributes in situ to ensuring complementarity of actions financed through different channels and programmes, including those from other donors. Overall, there is coherence and consistency in the approaches taken in respect of our partner countries.*

*A regional approach is also being developed around the three main regions concerned: Eastern Atlantic, Indian Ocean and Pacific with the objective to reinforce the SFPA network approach, ensure complementarity between SFPAs and RFMOs (Regional Fisheries Management Organisations) and consistency with other relevant programmes benefiting the regions at stake, such as the Indicative Regional Programmes co-financed by the European Development Fund. This will continue to be one of the objectives to be followed by the Commission in all future Protocols to be negotiated or renegotiated.*

294. (§ 193 - 2014/PAR/0531) The European Parliament requests that the Commission focus more on restrictive technical conditions, such as the narrow definition of fishing areas.

**Commission's response:**

*This recommendation is being progressively implemented through the process of negotiations with third countries for new Protocols.*

*The Commission takes good note of the possible adverse effect that restrictive conditions can have on the profitability of the EU fishing fleet. However, it wishes to recall that they are also agreed between both parties to ensure a sustainable exploitation of the different stocks, to reduce the impact of fishing activities on marine ecosystems and to avoid conflicts between offshore foreign industrial fleets and coastal State inshore artisanal, in line with the CFP principles. In addition, they are often enshrined in the national legislation of the partner countries and are therefore not always negotiable.*

295. (§ 194 - 2014/PAR/0532) The European Parliament asks the Commission to consider the utilisation of previous protocols and to endeavour better to link payments for access rights to actual catches, while ensuring that fishing activities are not adversely affected.

**Commission's response:**

*This Recommendation is being progressively implemented by the Commission during the negotiation of new Agreements and Protocols.*

*The payment for access rights is subject to negotiations and agreement of both the EU and the third country concerned. However, the Commission in all negotiations of Protocols always takes as a starting point of discussions with the third country concerned, the utilisation rates of the previous Protocol. The means to attain better utilisation of the Protocols is being addressed in the development of the negotiation strategy for each new Protocol. This leads, subject to the negotiations, to the access payments being more directly linked to the actual catches while taking into consideration the realistic perspectives for future fishing activities.*

*It is important to note that stock availability for tuna SFPAs (Sustainable Fisheries Partnership Agreements) is highly variable due to the migratory nature of the species and environmental conditions. These factors may lead to a situation where fishing activity by the EU fleet is indeed less than initially projected and the amounts caught differs from the reference tonnage on which access payments are based. However, the access payment paid on EU budget needs to provide a degree of financial security and predictability to our partner country regarding income from the SFPAs.*

296. (§ 195 - 2014/PAR/0533) The European Parliament requests that the Commission take into account the principles of economy, efficiency and effectiveness when preparing the FPA negotiations to guarantee value for money and compliance with sound financial management.

**Commission's response:**

*The Commission is implementing this Recommendation whenever negotiations with our partner countries take place. Therefore, the Commission considers that this Recommendation is in the process of being progressively implemented.*

*In all recent negotiations, the issues of sound financial management and value for money played a major part in the development of the negotiations. This is reflected in the restructuring of the financial component which now sees the vessel owners taking a greater share of the financial burden of access payments away from the EU.*

297. (§ 198 - 2014/PAR/0534) The European Parliament urges the Commission to use the most up-to-date data for its ex post report; asks the Commission to make this available to stakeholders in a timely manner.

**Commission's response:**

*The Commission is of the view that this Recommendation has been implemented (completion date: date of the final evaluation report of January 2016 on the Protocol to the FPA between the EU and Mauritius).*

*The Commission relies on data provided by Member States as required by EU legislation. It has developed a new centralized catch reporting system which allows for continuous follow-up and monitoring. Data availability is improved by comparing the reported catches with the set reference tonnage or quota from the protocol on a constant basis. Controls will be introduced in order to increase monitoring when reported catches reach a certain percentage close to the allocated fishing opportunities or the catch reference levels.*

*This information is provided through the ex-ante evaluation/ex-post evaluation and transmitted to the Member States and the European Parliament once the evaluation is finalized and approved. At the same time it is placed on the appropriate Commission information web-site so that all stakeholders have access to this information.*

298. (§ 199 - 2014/PAR/0535) The European Parliament calls on the Commission to promote the acceptance of electronic licences or of a list of authorised vessels in partner countries for the whole period of validity of the licences; highlights the need to reduce delays in the licence application process; calls on the Commission to identify and reduce procedural bottlenecks.

**Commission's response:**

*The Commission is applying this Recommendation since 2015 in each new negotiation for an Agreement or Protocol that it undertakes, and is currently on-going.*

*The Commission has and will continue to encourage the use of electronic licences in the future Protocols. In 2015 the Commission has launched the so-called "Licence IT project" to record both the transmission and follow-up of authorisations, in a digital manner. This project is on-going.*

*The Commission is keen to provide for a process for automatic electronic provision of fishing authorisations, but this is also dependent upon the third countries' acceptance of these procedures. At the same time, the Commission is actively seeking in all negotiations provisions that would allow fishing to continue, for a minimal period of time, on the basis of an electronically provided authorisation. This is to allow for the delivery of the original license to be retained on board the vessel.*

*The Commission would underline that the vast majority of cases relating to the delayed transmission of fishing authorisations are the result of delays in the administrations of the third countries.*

299. (§ 200 - 2014/PAR/0536) The European Parliament invites the Commission to ensure that the new catch database is fully used by flag Member States and provides reliable catch data that can be consolidated, monitored and kept up-to-date

**Commission's response:**

*This Recommendation is in the process of being implemented.*

*On 31 October 2015 Commission Implementing Regulation (EU) 2015/1962 amending Control Implementing Regulation (EU) No 404/2011 was published. In Title IX a new chapter was inserted which lays down detailed rules for the exchange of data related to the reporting of aggregated catch data. It specifies that from 1 January 2016 Member States shall use the catch database for the catch data required by Article 13(2) of Council Regulation (EC) No 1006/2008. Currently all but two Member States are transmitting the data. The Commission is in contact with the last two Member States in order to solve all technical issues.*

300. (§ 201 - 2014/PAR/0537) The European Parliament notes with concern that the database for catch-data management was still not operational at the time of the Court's audit and that Member States had not complied with their reporting requirements; invites the Commission to remedy this issue in partnership with Member States and to include clear and consistent data regarding actual final catches, in order to avoid possible negative financial consequences when the final catch is higher than the reference tonnage.

**Commission's response:**

*This Recommendation is being progressively implemented by the Commission.*

*On 31 October 2015 Commission Implementing Regulation (EU) 2015/1962 amending Control Implementing Regulation (EU) No 404/2011 was published. In Title IX a new chapter was inserted which lays down detailed rules for the exchange of data related to the reporting of aggregated catch data. It specifies that from 1 January 2016 Member States shall use the catch database for the catch data required by Article 13(2) of Council Regulation (EC) No 1006/2008. Currently all but two Member States are transmitting the data correctly. The Commission is in contact with the last two Member States in order to solve all technical issues.*

*For non-tuna species, there are regular meetings between the Commission and partner third countries within the context of the SFPAs (Sustainable Fisheries Partnership Agreements) to review catch reporting and validation of data.*

*For partner countries having tuna Agreements with the EU, meetings have been held annually between EU scientific institutions and the appropriate scientific institutes of third countries in order to review the catch data received and also to have an harmonized approach regarding the validation and consolidation of the catch data.*

301. (§ 202 - 2014/PAR/0538) The European Parliament urges the Commission to monitor more closely the implementation of sectoral support to ensure its effectiveness and cost-effectiveness; asks the Commission to ensure effective coordination of the actions implemented by partner countries; invites the Commission to include in the protocols formal eligibility conditions for the funded actions.

**Commission's response:**

*This recommendation is in the process of being implemented. The guidelines have been updated following the report of the European Court of Auditors and are in the process of being discussed with the various partner countries.*

*Following the new CFP, payments are now directly linked to the utilisation and performance of the sectoral support. Protocols now include provisions to "decouple" the payments of access rights and sectoral support and provisions to allow for revision in justified cases, and ultimately a suspension of sectoral support payments.*

302. (§ 203 - 2014/PAR/0539) The European Parliament calls on the Commission to ensure that sectoral support disbursements are consistent with other budget support

payments and based on the results achieved by partner countries in the implementation of the matrix of commonly agreed actions.

**Commission's response:**

*This recommendation is in the process of being implemented gradually with the partner countries.*

*There is improved coherence and consistency between the implementation of development policies and the disbursement of SFPA (Sustainable Fisheries Partnership Agreements) sectoral support. This is applied on the basis of targeted, identifiable actions with clear achievement indicators against which performance can be measured. Other donors' actions and projects are also taken into account in the matrix which is discussed in Joint Committees which aims at identifying the real needs of the partner countries and the final programme of activities.*

*Disbursements are considered in that context and if it is observed that there has not been adequate utilization of the funding provided, payment for the following years' sectoral support contribution may be suspended.*

303. (§ 204 - 2014/PAR/0540) The European Parliament calls on the Commission, where possible, to include in the new protocols the possibility of partial payments of sectoral support.

**Commission's response:**

*This Recommendation is in the process of being implemented through notably the introduction of the guidelines for the implementation of the sectoral support which will be agreed with partner countries on an individual basis.*

*If there have been no or limited results achieved on a priority action/project, payment of the sectoral support in the following year will be suspended until the targets have been met. This has to be seen in the context that actions are in the main not limited in duration to the financial year in question but may be of a multiannual nature.*

*The Commission endeavours in all negotiations for new Agreements or Protocols to include provisions allowing for the partial payment of sectoral support in case results achieved are deemed not satisfactory.*

**Part XVI – Special Report No 12/2015 of the Court of Auditors entitled "The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures"**

304. (§ 205 - 2014/PAR/0541) The European Parliament requests that the Member States put in place procedures to analyse the knowledge and skills needs of rural operators that go beyond the setting of broad themes, in particular for calls for proposals or tender periods, and that the Commission provide additional guidance on how Member States should carry out such recurrent analyses, formulating this in specific rather than general terms.

**Commission's response:**

*The Commission updated the guidance document adding that Member States should carry out an analysis of knowledge and skills needed in the programming area. The guidance document was presented to the RDC on 25 May.*

305. (§ 209 - 2014/PAR/0542) The European Parliament requests that the Commission provide additional specific guidance on in-house delivery, subcontracting and the assessment of service delivery by consortiums and adequately monitor Member States' procedures to ensure that the selection of knowledge-transfer and advisory activities is competitive, fair and transparent.

**Commission's response:**

*The Commission updated the guidance document on public procurement and rural development which was presented to the Member States in 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, information on the in-house delivery was also included in the measures fiches for measures 1 and 2 that were presented to the RDC in May 2016.*

306. (§ 211 - 2014/PAR/0543) The European Parliament requests that the Commission build on the first steps taken to ensure complementarity between Union funds to mitigate the risk of double-funding and duplication of administration.

**Commission's response:**

*Complementarity between Union funds is ensured through the Partnership Agreement as well as in the relevant section of the Rural Development Programme (Chapter 14 "Information on complementarity").*



*Besides, the Commission established working procedures and relevant inter ~~advisory group and assess the issues~~ of co between different EU funds (e.g. the ESIF interpretation network, other networks on specific elements of the regulation such as simplified cost working group, thematic networks, or Financial instruments compass platform).*

307. (§ 212 - 2014/PAR/0544) The European Parliament calls on Member States to establish feedback systems that use monitoring and evaluation information to improve upcoming calls for proposals or tendering procedures and requests that the Commission provide guidance to Member States as to how they may execute such recurrent feedback procedures and that it monitor whether Member States have put them in place.

**Commission's response:**

*The Commission will continue to provide guidance on the implementation of the CMES established in the relevant regulations.*

*There are standard methodologies to ensure the use of feedback procedures, monitoring and evaluations of results as well as impact of training activities. The Commission will encourage the exchange of good practices in the framework of the European Network for Rural Development.*

*However, according to the legal framework, the Commission is not responsible for monitoring that such feedback procedures are in place.*

308. (§ 213 - 2014/PAR/0545) The european Parliament requests that the Commission increase without delay the risk profile of knowledge-transfer and advisory measures and enhance its supervision and management accordingly.

**Commission's response:**

*The risk analysis is based on seven risk factors, the level of expenditure being the most important one. However, one of the remaining risk factors is the Court of Auditor's findings. The findings of this special report were taken into account in the risk-mapping in the preparation of DG AGRI's audit multi-annual work programme 2016-2018.*

309. (§ 215 - 2014/PAR/0546) The European Parliament calls on the Commission to communicate comprehensive assessment of consultancy services with a focus on outcomes and net effects in order to avoid a purely quantitative evaluation of investment.

**Commission's response:**

*The COM is not in a position to provide an assessment of the consultancy services in the MS. However, the Standing Committee on Agricultural Research (SCAR), particularly by the working group on agricultural knowledge and innovation systems (AKIS), provides information and assesses the functioning of the advisory services in the EU. In 2015 they produced the study PRO AKIS, supported by the 7th Framework Programme, focused on the state of farm advisory services in the Member States.*

310. (§ 216 - 2014/PAR/0547) The European Parliament requests that the Commission promote the exchange of good practices on methodological approaches through networking activities.

**Commission's response:**

*The National Rural Networks (NRN) and the European Network for Rural Development (ENRD) organize activities for the exchange of good practices and facilitate the dissemination of this information in their websites.*

*As an example, the Spanish NRN organized a seminar on measure 2 in April 2016.*

**Part XVII – Special Report No 13/2015 of the Court of Auditors entitled "EU Support to timber-producing countries under the FLEGT Action Plan"**

311. (§ 222 - 2014/PAR/0548) The European Parliament calls on the Commission to prioritise its aid efforts through clear objectives and criteria; invites the Commission therefore to move away from structuring Union funding from different budgets and consider using one single, clearly defined budget.

**Commission's response:**

*The Commission agrees that clearer objectives, priorities and timelines need to be established. It should be noted that the absence of a specific implementation plan for FLEGT until now reflects the difficulty of establishing specific goals, targets and a timeframe for a policy that combines a broad range of policy, regulatory and financial/technical assistance measures by a broad range of countries and actors. These challenges remain.*

*The structuring of international cooperation on FLEGT into one single budget is not considered possible at the moment. The funding to FLEGT currently comes from different programmes (e.g. national indicative programmes, Global Public Goods and Challenges programme, etc.), making the pooling of all FLEGT-related funding difficult.*

312. (§ 223 - 2014/PAR/0549) The European Parliament calls on the Commission to reinforce swiftly transparency and accountability frameworks through monitoring and regular reporting, including appropriate progress assessment; urges the Commission furthermore to monitor and report on the implementation of the Union timber regulation in Member States and to take the necessary legal action to ensure its application.

**Commission's response:**

*The Commission already reports regularly on FLEGT through various mechanisms, such as meetings of the Council working party on forests, of the FLEGT committee and of the FLEGT-EUTR expert groups.*

*A progress report on the implementation of the FLEGT Action Plan was prepared in 2011, on the basis of input from EU Member States. An independent evaluation of the FLEGT Action Plan was undertaken in 2015 and published in 2016. It has been the subject of Council conclusions.*

*Monitoring and reporting also takes place at the level of individual measures. For example, annual reports are published for all VPA implementation countries, while these agreements also entail specific measures that contribute to transparency and accountability. Regarding EU support to developing countries, it should be noted that all projects funded by the EU in the context of the FLEGT are subject to standard reporting, monitoring and audit requirements that apply to all EU external aid projects.*

*On the EUTR specifically, the Commission has recently completed a review of the effectiveness of the EU Timber Regulation during its first two years of implementation and a report was released on 18 February 2016 (COM(2016)74 final). The Commission has also initiated in 2015 infringement procedures against the four remaining non-compliant Member States (Greece, Hungary, Romania and Spain).*

313. (§ 224 - 2014/PAR/0550) The European Parliament calls on the Commission to streamline and better coordinate its efforts to fight illegal logging across different Union policies and the services involved.

**Commission's response:**

*The requested action has been taken.*

*The Commission considers that the FLEGT is in fact a good example of EU policy coherence, with complementary actions being implemented in various policy areas – such as environment, public procurement and development as well as international cooperation. Nevertheless, it accepts that there is still room to*

*improve policy coherence. As indicated in the official reply of the Commission to the Court of Auditors Special Report no 13/2015, steps have been already taken by the Commission to foster synergies with other forest-related initiatives, such as REDD+. These efforts contribute to the overall coherence of the FLEGT Action Plan and of EU intervention in the forestry sector.*

314. (§ 226 - 2014/PAR/0551) The European Parliament calls on the Commission to negotiate timber import standards in future bilateral or multilateral trade related agreements, in order not to undermine the successes achieved through the FLEGT Action Plan with timber-producing countries.

**Commission's response:**

*The requested action has been taken.*

*The EU approach in recent negotiations of bilateral trade agreements has been to include a Trade and Sustainable Chapter with commitments on a number of trade-related environment and labour issues, including combatting of illegal logging. Where relevant, the agreements also cross-reference FLEGT Voluntary Partnership Agreements, e.g. the agreements with Central America and Vietnam.*

**Part XVIII – Special Report No 14/2015 of the Court of Auditors entitled "The ACP Investment Facility: does it provide added-value?"**

315. (§ 233 - 2014/PAR/0552) The European Parliament calls therefore on the Commission to take into account the Court's recommendations in its future legislative proposals and negotiations such as in the revision of the EIB's external mandate or the post-Cotonou agreement.

**Commission's response:**

*The Commission is taking the requested action.*

*There is an ongoing discussion on this issue expected to be completed by the first half of 2017.*

316. (§ 234 - 2014/PAR/0553) The European Parliament Recommends a swift adaptation of the Investment Facility and EIB's policy according to the outcome of the COP21 and the possible post-2015 Millennium Development Goal as a matter of political consistency from the Union.

**Commission's response:**

*The Commission is taking the requested action.*

*There is an ongoing discussion on this issue expected to be completed by the first half of 2017.*

**Part XIX – Special Report No 15/2015 of the Court of Auditors entitled "EU Energy Facility support for renewable energy in East Africa"**

317. (§ 243 - 2014/PAR/0554) The European Parliament calls on the Commission's Directorate-General for International Cooperation and Development (DG DEVCO) to make sure that the implementing partners answer all requests for additional information concerning the implementation of the project(s); calls on DG DEVCO to focus especially on potential corruption and/or fraud-related activities by the implementing partners, while avoiding unnecessary additional administrative burdens; and in the case of corruption and/or fraud, calls on DG DEVCO to duly terminate contracts and look for new partners in the region.

**Commission's response:**

*The requested action has been taken.*

*To complement the standard tools available to monitor a project, including for identifying any possible problem and proposing proper and timely solutions, the Commission has put in place a permanent Energy Facility monitoring function available under a service contract. This instrument is managed centrally by DG DEVCO and is accessible by all EU Delegations concerned, in order to gather all information and allow immediate action with the grant beneficiaries whenever needed. In addition, the task to detect any potential corruption and/or fraud-related activities that could occur at the level of the implementing partners, is fulfilled by all services in charge of managing grant contracts in line with the prevailing rules and procedures and there is zero tolerance in case such incidents are detected.*

318. (§ 244 - 2014/PAR/0555) The European Parliament calls on the Commission to ensure policy coherence and close cooperation with the other actors in the field, especially UN bodies and the SE4ALL (Sustainable Energy for All), but not only in the field of energy, in view of achieving the best possible results for people living in the region and the environment.

**Commission's response:**

*The requested action has been taken.*

*The Commission keeps regular contact with all main actors in the energy field, in the East Africa region and elsewhere, so as to ensure coordination of actions and policy coherence. The main coordination platforms used are SE4ALL (including participation in the SE4ALL Advisory Board) for coordination with UN, World Bank, CSOs and all stakeholders active in the initiative; the EU Energy Initiative*

*for coordination with all Member States; the several Joint Declarations for reinforced coordination in the field of sustainable energy (20 Joint Declarations signed to date with partner countries and donors, of which 4 in the East/South/IOC Africa region - Uganda, Kenya, Madagascar, Indian Ocean Commission); the Memorandum of Understanding and regular meetings with the Power Africa initiative.*

**Part XX – Special Report No 16/2015 of the Court of Auditors entitled "Improving the security of energy supply by developing the internal energy market: more efforts needed"**

319. (§ 251 - 2014/PAR/0556) The European Parliament calls on the Commission to allocate increased financial resources and powers necessary to the Agency for the Cooperation of Energy Regulators.

**Commission's response:**

*The Commission is taking the requested action. It is looking into possibilities to reinforce the existing powers of ACER, including vis-à-vis Member States, so as to adjust the Agency's tasks and responsibilities to the realities of a more integrated internal market. A legal proposal (Electricity Market Design Initiative) is expected by the end of 2016 and is likely to include measures to strengthen ACER's role and independence. While revising the powers of the Agency, the Commission will also look carefully into providing adequate resources for ACER to meet both new and existing tasks, subject to the approval of the European Parliament and of the Council.*

**Part XXI – Special Report No 17/2015 of the Court of Auditors entitled "Commission's support of youth action teams: redirection of ESF funding achieved, but insufficient focus on results"**

320. (§ 259 - 2014/PAR/0557) The European Parliament calls on the Commission to set up an early warning mechanism against unutilised ESIF appropriations so that Member States have sufficient time to reallocate funds to youth employment measures.

**Commission's response:**

*According to Article 88 of Regulation (EU) No 1303/2013 (Common Provisions Regulation – CPR), the Commission has the obligation to inform Member States and the Managing Authorities in good time whenever there is a risk of de-commitment of amounts in Operational Programmes. Thus, the Member States are well-informed of the amount of funding which is pending de-commitment and has the possibility to claim it through interim payment applications. The first de-*

*commitment deadline in the current programming period will be at the end of 2017.*

*In terms of re-allocation, Member States can at any time request, if justified, the amendment of programmes in order to reallocate funding to measures that address urgent challenges, for instance, youth unemployment. Moreover, Article 23 of Regulation (EU) No 1303/2013 (Common Provisions Regulation – CPR) allows the Commission to request a Member State to propose amendments to programmes and reallocate resources to youth employment measures, in case the Member State has received a country-specific recommendation on youth employment, with a view to support its implementation.*

*Finally, the Commission recalls that more precise financial information lies within the Managing Authorities of the Member States who are in charge of the day-to-day management of the ESIF, since they have real-time information on the level of signed ESIF contracts with beneficiaries and payments execution with regard to the beneficiaries on-the-ground.*

**Part XXII – Special Report No 20/2015 of the Court of Auditors entitled "The cost-effectiveness of EU Rural Development support for non-productive investments in agriculture"**

321. (§ 261 - 2014/PAR/0558) The European Parliament recommends that the Commission encourage Member States to implement non-productive investments (NPIs) more in synergy with other rural development measures and environmental schemes and that the Commission monitor the relevant Member States' implementation through their annual implementation reports from 2017.

**Commission's response:**

*The new rural development legal framework for the period 2014-2020 already provides for setting a better synergy between various measures towards the policy objectives. In this respect, it is considered that this part of the recommendation is implemented. The part of the recommendation related to the annual implementation report will be implemented during assessment of the annual reports which will first be submitted in 2016.*

322. (§ 262 - 2014/PAR/0559) The European Parliament recommends that the Commission provide guidance to Member States on NPIs' selection criteria for the 2014-2020 programming period and check that they apply appropriate procedures for the selection of projects.

**Commission's response:**

*Guidance documents on selection criteria as well as training and workshop were provided to Member States. This part of the recommendation is done.*

*With regard to checking the application of the appropriate procedure, the Commission will continue to carry out conformity audits in the Member States in accordance with its audit planning and such audit also checks that the expenditure paid is in compliance with the rules including appropriate procedures for the selection and appraisal of projects. This process is ongoing.*

323. (§ 263 - 2014/PAR/0560) The European Parliament recommends that the Commission ensure that the contribution of NPIs to achieving the Union agri-environmental objectives is monitored, or at least specifically assessed during the evaluations of the 2014-2020 programming period.

**Commission's response:**

*The 2014-2020 CMES monitors the implementation of the measure whereas the evaluation will consider its performance in the context of the relevant RD objectives.*

*The Commission ensures that the contribution of NPIs to achieving the Union agri-environmental objectives is monitored. The Commission updated the investment measure fiches with complementary recommendation concerning NPI monitoring.*

324. (§ 264 - 2014/PAR/0561) The European Parliament recommends that the Commission encourage and assist those Member States where NPI support is significant to define specific result indicators for the NPIs most frequently funded in order to ensure better monitoring and assessment of the NPIs' contribution to achieving the Union agri-environmental objectives.

**Commission's response:**

*In the guidelines on the "Assessment of RDP results – How to prepare for reporting on evaluation in 2017" the Commission will encourage and support the Member States where NPI support is significant to define specific result indicators.*

*The Commission is currently developing these guidelines, which should be finalized by the end of 2016.*

325. (§ 265 - 2014/PAR/0562) The European Parliament recommends that the Commission provide further guidance on the definition of criteria which determine the remunerative characteristics of NPIs benefiting from the highest aid rates.



**Commission's response:**

*The recommendation was taken on board and the guidance document was updated accordingly on non-productive investments. The modified guidance document was shared with the MS and was presented during the Rural Development Committee on 25/05/2016.*

326. (§ 267 - 2014/PAR/0563) The European Parliament recommends that the Commission use the information provided by the Member States regarding the controllability and verifiability of the measures for the approval of their RDPs for 2014-2020 to ensure that Member States define and implement adequate procedures regarding the reasonableness of costs, and to verify Member States' effective application of the controls foreseen in this regard; recommends also that the Commission facilitates exchange of good practices between Member States concerning establishment of procedures for cost-reasonableness checks.

**Commission's response:**

*During the screening of the Rural Development Programmes for the 2014-2020 programming period, the Commission paid attention to check the controllability and verifiability section of the measures. If this explanation was missing or was not detailed enough, MS had to provide additional information. Different workshops and meetings have been used to facilitate exchange of good practices between Member States on procedures for cost-reasonableness checks.*

327. (§ 269 - 2014/PAR/0564) The European Parliament recommends that the Commission take into consideration the weaknesses identified by the Court in the area of NPI expenditures and take appropriate measures together with Member States to ensure proper financial management for these kind of investments.

**Commission's response:**

*The Commission takes due account of the Court's findings in establishing its audit planning which is determined on the basis of a risk analysis, The risk analysis is based on seven risk factors, the level of expenditure being the most important one. The findings of this special report are taken into account in the future audit planning starting from June 2016. The process is ongoing.*

**European External Action Service**

328. (§ 3 - 2014/PAR/0565) The European Parliament is concerned by the fact that staff allowances were already a point of concern and were subject to errors in previous years; requests that more rigorous controls on this matter be performed on behalf of

the EEAS by the Office for the Administration and Payment of Individual Entitlements.

**Commission's response:**

*Measures have been taken to correct the detected weaknesses.*

*As from 2016, all household allowances granted on the basis of spouse's income will have an end date  $\leq n+4$  ( $n$  being the latest exercise carried out by the PMO to inquiry about the spouse's revenues). This will result in default verification before expiration of the recovery period established under Article 85 of the Staff Regulations.*

*Additionally, the proactive notifications system in Sysper is being developed according to planning (2016), to facilitate the management of family allowances via notifications sent to concerned staff.*

*Strengthening of the internal control system (e.g. through targeted training) has further mitigated the risk of weaknesses in staff cost' calculation.*

329. (§ 31 - 2014/PAR/0566) The European Parliament calls on the EEAS and EuropeAid to reinforce supervision of the heads of delegation in their capacity as authorising officers by sub-delegation for the Commission with a view to increasing their accountability within the global chain assurance by providing qualitative and exhaustive reporting (with the so-called External Assistance Management Report) in the context of the establishment of the respective EEAS and EuropeAid annual activity reports.

**Commission's response:**

*The requested action has been taken.*

*The External Assistance Management Reports (EAMR) form the basis of the accountability and reporting chain in DG DEVCO. The EAMRs and KPI results are duly reflected in its Annual Activity Reports. Moreover, as from 2014, the EAMRs are transmitted officially by DG DEVCO to the European Parliament.*

330. (§ 32 - 2014/PAR/0567) The European Parliament urges the EEAS and EuropeAid to ensure that the Union delegations actively address the shortcomings identified in the external assistance programmes and projects already during the implementation phase, so that ongoing programmes and projects meet their objectives and avoid delays.

**Commission's response:**

***The Commission is currently developing actions to address the observed situation as regards payments and project implementation and envisages to implement these actions by the end of 2017 / beginning of 2018.***

331. (§ 33 - 2014/PAR/0568) The European Parliament calls on the Commission to strengthen efforts and decrease outstanding commitments (reduce reste à liquider (RALs), RACs and RAPs) and shorten the average period of project implementation.

**Commission's response:**

***The requested action has been taken.***

***The efforts made by DG DEVCO in order to decrease the RAL and shorten the average period of project implementation have produced results. In two years time - between 01/01/2014 and 01/01/2016 - the total amount of RAL has decreased by 9% from €M21,896 to €M20,032. Similarly, the RAL absorption period (the RAL amount at the end of the year divided by the annual amount of payment made during the year) has decreased from 3.7 years on 31/12/2014 to 3.54 years on 31/12/2015.***

332. (§ 41 - 2014/PAR/0569) The European Parliament invites the EEAS and the Commission to pay particular attention to procurement and human resources procedures in order to ensure that they are responsive to the CSDP's operational needs.

**Commission's response:**

***All CSDP Missions benefit from the CFSP-specific procurement flexibility adopted by the EEAS (CPCC) and the Commission (FPI) last year. In addition, several Missions benefit from very flexible public procurement procedures under the crisis regime. This covers the entire procurement cycle until the finalisation of contracts. Difficulties linked to the implementation of projects in the missions are not due to the EU's procurement procedures. CSDP missions are increasingly being given the mandate to implement projects, and it is important to complement this with the very specific expertise and resources needed.***

***Regarding human resources, the Council supports the efforts of the EEAS, in cooperation with the Commission services in consultation with Member States, as appropriate, to explore ways to enable greater flexibility in the recruitment process and ensuring continuity.***

333. (§ 43 - 2014/PAR/0570) The European Parliament calls on the EEAS and the Commission to coordinate CSDP missions more thoroughly in advance with other

Union efforts, bilateral missions and international efforts with similar objectives; calls in this respect for more cooperation and coordination between the Union and its Member States by promoting synergies.

**Commission's response:**

*The EU is an advocate for the comprehensive approach. The first step in the current Crisis Management Procedures (2013) for an EU external engagement is to develop an overall EU approach - the Political Framework for Crisis Approach (PFCA). In this framework all EU instruments (including security/CSDP) have been considered, as well as efforts of other international actors (e.g. UN) and bilateral efforts by individual EU Member States. The PFCA could be the starting point of a CSDP mission, but it could also focus on diplomatic or economic efforts.*

334. (§ 46 - 2014/PAR/0571) The European Parliament urges the EEAS and the Commission to implement lessons learnt from the Eulex case in close coordination with Parliament, jointly exploring ways to implement the recommendations contained in the Jacqué report commissioned by the High Representative of the Union for Foreign Affairs and Security Policy, and to address any outstanding issues.

**Commission's response:**

*As of May 2016, most of the recommendations have been implemented. The remaining 6 recommendations are being processed within the framework of the new code of conduct and discipline for civilian CSDP missions which is currently being discussed with MS.*

**European Council and Council**

335. (§ 12 - 2014/PAR/0572) The European Parliament states that the annual reports of the Union institutions and agencies could play an important role in compliance regarding transparency, accountability and integrity; calls for the Union institutions and agencies to include a standard chapter on these components in their annual reports.

**Commission's response:**

*This recommendation is addressed to all Union institutions and agencies. As regards the reporting requirements for decentralised agencies, the Commission refers to Article 47 of FFR. The new provisions streamline the reporting obligations by providing for a consolidated annual activity report including comprehensive information on the implementation of the agency work programme, budget, staff policy plan, agencies' management and internal control systems. The*

***Commission has furthermore developed a template for the Consolidated Annual Activity Report.***

336. (§ 40 - 2014/PAR/0573) The European Parliament calls on the Commission to amend the Financial Regulation to clarify the objectives of the discharge procedure and to clearly define sanctions for not respecting the regulations.

**Commission's response:**

***The Commission considers that this cannot be dealt with in the Financial Regulation. It is of the view that in the light of Article 319 of the Treaty of the functioning of the European Union, all institutions should cooperate to the smooth functioning of the discharge procedure, and that Parliament and Council should seek a modus vivendi.***

**Performance, financial management and control of EU agencies**

337. (§ 10 - 2014/PAR/0574) The European Parliament notes from the Network that the practical implementation of the framework financial regulation by agencies poses in many cases challenges to efficient and simplified budget spending, in particular in the areas of procurement, multiannual programming, indirect grant management and complicated documentation for the consolidation package of the accounts; calls on the Commission and the Network to further explore the possibility of simplifying the rules, taking into account the differing needs of the agencies.

**Commission's response:**

***The Commission is in regular contact with the network of agencies and takes its concerns into account wherever possible. The Commission will take into account comments made by the network also in the context of the proposal for the next revision of the Financial Regulation. A new Framework Financial Regulation will be adopted in line with the relevant provisions of the new Financial Regulation, once the latter has been adopted by the European Parliament and the Council.***

338. (§ 17 - 2014/PAR/0575) The European Parliament calls on the Commission to reconsider the introduction of fees for agencies for procurement procedures led by the Commission.

**Commission's response:**

***The Guidance on the provision of services to other EU Institutions, Agencies and Bodies is currently being developed by the Commission and will apply to any kind of provision of services offered by the Commission departments to the other***

*institutions. The document is intended to create the basic conditions which would facilitate a genuine collaborative attitude, which is necessary to reap in full the promised benefits of inter-institutional cooperation. The methodology is designed to avoid that the cost recovery results in surpluses either for the Commission or for the other institutions. Costs are recovered in case they are timely and effectively supported by the Commission, and only if they are significant. The aim is that the guidelines will be applicable as of 1st January 2017.*

339. (§ 18 - 2014/PAR/0576) The European Parliament calls upon the Commission to run a SWOT analysis on the agencies' mandates and annual work programmes in order to come to an informed decision on which Agencies need more staff and which do not.

**Commission's response:**

*As part of the preparation of the annual draft budgets, the Commission makes a thorough assessment of the needs for each decentralised agency. The proposed level of the EU contribution and the staffing level of individual agencies reflect their stage of development. The classification of agencies as 'cruising speed', 'new tasks' and 'start-up phase' agencies has an impact on the growth of their EU contributions and staffing levels: typically, agencies which have recently been created or have recently been assigned new tasks require additional appropriations and additional staff, to carry out tasks related to their new or recently extended mandates, whereas cruising speed agencies have stable structures and budgets, and should therefore pursue rationalisation efforts (even when confronted by new policy developments).*

*The annual draft budget requests for decentralised agency staffing and appropriations use as a starting point the Commission Communication on the programming of human and financial resources for decentralised agencies 2014-2020 (COM(2013)519, 10.7.2013). This is with the aim of reducing total staffing levels in agencies by 5 % over five years, as laid down in point 27 of the Interinstitutional Agreement of 2 December 2013, while still allowing certain agencies to increase their staffing numbers in order to carry out their new tasks.*

*While pursuing the staff reduction target, the Commission has revised the staffing outlook of agencies facing particular challenges, notably as part of the migration and security response.*

340. (§ 19 - 2014/PAR/0577) The European Parliament urges the Commission to treat the agencies financed primarily by the Union budget as a separate case and to put forward a specific framework for agencies financed mainly by industry, which should be in proportion to the services provided by the agency concerned.

**Commission's response:**

*As agreed in the meeting of the Interinstitutional Working Group (IIWG) on decentralised agencies' resources of 14 March 2016, the European Aviation Safety Agency (EASA) will be treated as a pilot case as regards a certain flexibility in its annual number of fee-financed posts to respond to fluctuations in workload from industry, provided that this is justified by workload indicators. The Commission proposes that fluctuations in workload leading to upward or downward adjustments of the number of posts as compared to the Commission Communication of July 2013 are not included in the 5 % staff reduction target. The merits of the EASA pilot case will be discussed in detail in the next IIWG meeting, which is scheduled for October 2016.*

341. (§ 29 - 2014/PAR/0578) The European Parliament calls on those Union institutions and agencies which have introduced codes of conduct, including Parliament, to step up their implementation measures, such as checks on declarations of financial interests.

**Commission's response:**

*This recommendation is addressed to Union institutions and agencies. The Commission can only accept it as far as the Commission itself is concerned. The Commission is committed to the implementation of its code. Each Commissioner is responsible for his/her declaration of interests, which is published and subject to the constant scrutiny of the public and the European Parliament.*

342. (§ 38 - 2014/PAR/0579) The European Parliament asks the Union institutions and bodies to apply strictly the measures pertaining to discretion and exclusion in public procurement, with proper background checks being carried out in every instance, and to apply the exclusion criteria so as to debar companies in the event of any conflict of interest, this being essential to protect the financial interests of the Union.

**Commission's response:**

*Conflict of interests of economic operators may constitute grave professional misconduct which is a ground of exclusion from EU funds if they are not properly managed. From 2016, the Commission has set up and operates a new early detection and exclusion system of unreliable economic operators. This allows the responsible authorising officers of all EU institutions and bodies to exclude such operators on the basis of a preliminary classification in law after referring the case to a Panel presided over by a standing independent high-level Chair for central assessment.*

343. (§ 39 - 2014/PAR/0580) The European Parliament reminds the Court of Auditors that the Parliament, the Council and the Commission agreed in paragraph 54 of the

Common Approach that all aspects of outsourced external audits "remain under the full responsibility of the [Court], which manages all administrative and procurement procedures required"; asks the Commission to confirm urgently that the Common Approach still applies.

**Commission's response:**

*The Commission remains committed to implement the Common Approach and has done so consistently since its approval. The co-legislators adopted the Financial Regulation, providing for a verification of decentralised agencies' annual accounts, after committing to the Common Approach endorsed by the EP, Council and Commission. However, while the Common Approach mentioned the principle that the European Court of Auditors should bear the costs of this external audit of agencies' accounts, it was at the strong insistence of the latter that a different text was included on this point in the final version of the Financial Regulation adopted in 2012.*

*The legislative authorities decided that the decentralised agencies should have their accounts certified by an external audit company. The Commission intervenes only as service provider in granting access to the decentralised agencies to a framework contract dedicated to audits and controls; the agencies remaining free to use to procure the external services through another channel. As a result, the Commission bears also a part of the administrative burden in helping the decentralised agencies.*

*In carrying out its compulsory audits on the reliability of the accounts and on the legality and regularity of transactions of the decentralised agencies, the Court of Auditors may draw assurance from the certification work of the external audit companies provided that it complies with international audit standards. Therefore, the Commission underlines the importance of the guidance that the Court provides to private auditors, also with a view to reducing the administrative burden.*

**Agencies**

344. **(FRONTEX - §19 - 2014/PAR/0581)** The Parliament urges the Commission, when proposing founding regulations in future, to consider the following :

- notes that, when a Member State deploys officers and/or technical equipment to the Agency's coordinated operations, the Member State signs the Operational Plan drafted by the Agency and the host Member State, which clearly indicates the terms of the operational cooperation;

- recalls that no provision is laid down granting participating Member States the freedom to use different ways and means to achieve a given policy objective, as the grant instrument suggests, because the Operational Plan needs to be implemented in the manner agreed upon without deviation unless amended;



- points out that the new proposal for establishing a Border and Coast Guard<sup>1</sup> goes even further and that it proposes a proactive role for joint operations and return activities, which does not go hand in hand with the features of a grant as a financial instrument;

**Commission's response:**

*On 21 June, the Council and the EP reached a political agreement on the draft text of the European Border and Coast Guard Regulation which aims to strengthen the mandate of the Frontex Agency providing it with the necessary legal basis and resources to perform more effectively. As regards the EP's 2014 discharge opinion and the observation on the use of grants to finance the Agency's operations, the text of the agreed EBCG Regulation does not make any reference to the kind of instruments to be used but it states that The Agency shall finance or co-finance the activities set (...) from its budget in accordance with the financial rules applicable to the Agency. This point was discussed in both the Council and the European Parliament. The final agreed wording will offer the Agency the fully flexibility for the choice of financing instruments provided by the applicable financial rules.*

345. (ESMA - §27 - 2014/PAR/0582) The Parliament calls on the Commission, in the White Paper planned for Q2 2016 and in a legislative proposal to be presented by 2017, to launch a different financing arrangement based on a separate budget line in the budget of the Union and on the complete replacement of the contributions from national authorities by fees paid by market participants.

("The Authority's mixed financing arrangement, which relies heavily on contributions from national competent authorities, is inadequate, inflexible, burdensome and a potential threat to its independence")

**Commission's response:**

*The European Parliament's request that the Commission launches a different financing arrangement for the three European Supervisory Authorities (EBA, EIOPA and ESMA) is also reflected in President Juncker's mission letter to Commissioner Jonathan Hill. The Commission services are working towards presenting a proposal for revised financing arrangements as part of a broader reform package for the three European Supervisory Authorities. The current direction regarding the financing arrangements is that the three ESAs should be fully funded by industry.*

*The intention is to present a targeted reform package in the course of 2017.*

346. (ENISA - §11 - 2014/PAR/0583) The Parliament urges the Commission, the Agency and the Greek authorities to find a solution in order to reduce significantly the risks

to which the Agency is exposed (due to late payment of the rent for the offices in Athens by the Greek Authorities to the landlord).

("The Parliament acknowledges the fact that, as a follow up from the 2013 discharge of the Agency, according to the lease agreement between the Greek authorities, the Agency and the landlord, rent for the offices in Athens is paid by the Greek authorities; is concerned about the constant late payment of rent, which continued in 2014 and 2015 and which presents significant reputational, financial and business-continuity risks for the Agency; notes with concern that in 2015, the payment of the instalment for the first six months of the year was made on 27 August 2015 and only after the Agency received a warning that litigation would be launched by the landlord of the Athens office")

**Commission's response:**

*Per agreement by the Greek government, the rent for ENISA's office in Athens is paid by the Greek government, i.e. the Ministry of Telecommunications. The current rental arrangements (Greek Ministerial decision n. 46097/5940 of 2013) foresee that ENISA each year requests the funds to the Greek Government and then pays directly the landlord upon reception of the funding.*

*The Commission is aware of the issues that ENISA experienced with the payment of the rent for the office. Upon ENISA's request, the Commission has regularly intervened by soliciting the Greek Authorities to pay timely the due amounts. The Commission is also informed that for 2016 the Greek Government has so far met its obligation by paying the due amount for the first six months.*

347. **(EIOPA - §13 - 2014/PAR/0584)** The Parliament calls on the Commission, in the White Paper planned for Q2 2016 and in a legislative proposal to be presented by 2017, to launch a different financing arrangement based on a separate budget line in the budget of the Union and on the complete replacement of the contributions from national authorities by fees paid by market participants.

("The Parliament concludes that the Authority's mixed financing arrangement, which relies heavily on contributions from national competent authorities, is inadequate, inflexible, burdensome and a potential threat to its independence, especially when 60 % of its budget is financed by the competent national supervisory authorities")

**Commission's response:**

*The European Parliament's request that the Commission launches a different financing arrangement for the three European Supervisory Authorities (EBA, EIOPA and ESMA) is also reflected in President Juncker's mission letter to Commissioner Jonathan Hill. The Commission services are working towards presenting a proposal for revised financing arrangements as part of a broader*

*reform package for the three European Supervisory Authorities. The current direction regarding the financing arrangements is that the three ESAs should be fully funded by industry.*

*The intention is to present a targeted reform package in the course of 2017.*

348. (EFSA - §25 - 2014/PAR/0585) The Parliament stresses that experts in regulatory agencies must be paid for their work so as to enable their independence from the sector they regulate and calls on the Commission to provide the financial means for the Authority to pay external experts and develop in-house research to ensure independence.

**Commission's response:**

*In December 2013 the Commission adopted Guidelines on the prevention and management of conflicts of interest in EU decentralised agencies, which include provisions concerning the publication of declarations of interests for management board members, executive directors, experts in scientific committees or other such bodies and staff. Remuneration of experts is also an issue to be looked at, within the funding currently made available from the EU budget.*

349. (EBA - §29 - 2014/PAR/0586) The Parliament calls on the Commission, in the White Paper planned for Q2 2016 and in a legislative proposal to be presented by 2017, to launch a different financing arrangement based on a separate budget line in the budget of the Union and on the complete replacement of the contributions from national authorities by fees paid by market participants.

("The Parliament concludes that the Authority's mixed financing arrangement, which relies heavily on contributions from national competent authorities, is inadequate, inflexible, burdensome and a potential threat to its independence")

**Commission's response:**

*The European Parliament's request that the Commission launches a different financing arrangement for the three European Supervisory Authorities (EBA, EIOPA and ESMA) is also reflected in President Juncker's mission letter to Commissioner Jonathan Hill. The Commission services are working towards presenting a proposal for revised financing arrangements as part of a broader reform package for the three European Supervisory Authorities. The current direction regarding the financing arrangements is that the three ESAs should be fully funded by industry.*

*The intention is to present a targeted reform package in the course of 2017.*

350. (EASA - §23 - 2014/PAR/0587) The Parliament calls on the Commission to take the opportunity, which arose this year, to amend Regulation (EC) No 216/2008 of the European Parliament and of the Council<sup>1</sup> establishing the Agency with a view to securing a headquarters agreement, allowing the Agency to operate unimpeded.

**Commission's response:**

*On 7 December 2015 the Commission adopted a proposal for Regulation of the European Parliament and the Council on common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency, and repealing Regulation (EC) No 216/2008 (COM(2015)613 final.*

*In accordance with the Common Approach on Decentralised Agencies, this legislative proposal includes a provision establishing that a headquarters agreement between the Agency and the Member State where the seat is located shall be concluded.*

*The article reads as follows:*

***Article 119 - Headquarters Agreement and operating conditions***

***1. The necessary arrangements concerning the accommodation to be provided for the Agency in the host Member State and the facilities to be made available by that Member State together with the specific rules applicable in the host Member State to the Executive Director, members of the Management Board, Agency staff and members of their families shall be laid down in a Headquarters Agreement between the Agency and Member State where the seat is located, concluded after obtaining the approval of the Management Board and no later than [OP Please insert the exact date - two years after entry into force of this Regulation].***

***2. The Agency's host Member State shall provide the best possible conditions to ensure the functioning of the Agency, including multilingual, European-oriented schooling and appropriate transport connections.***