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#### NOTE

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from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament <b>Committee on Budgetary Control (CONT)</b> , held in Brussels on 1 and 2 December 2014

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The meeting was chaired by Ms GRÄSSLE (EPP, DE).

#### 1. Discharge 2013: EU general budget - European Commission

The debate was introduced by some remarks of the two Members of the Court of Auditors (ECA). Mr KUKAN, Member responsible for the Agricultural Market and direct support said that the estimated rate of error for his policy area was 3.6%. He underlined that errors mainly resulted from the lack of a reliable land parcel identification system and from eligibility errors due to the complexity of rules. Ms BUDBERGYTE, Member responsible for rural development, estimated the error rate in this area at 6.7%. She also pointed to complexity of rules as the main source of errors, in particular with regard to expense's eligibility. Both ECA Members stressed that MS could have reduced the error rate to its materiality threshold of 2% if they had made timely use of the available relevant information. They also pointed to the lack of effectiveness of the supervisory and control systems.

On the positive side, they welcomed the Commission's revised approach to the calculation of the residual error and the fact that DG AGRI ahead carried out an individual assessment of each paying agency.

Commissioner HOGAN welcomed the ECA's report. All ECA's remarks had been carried by the Commission. In his view, simplification was key to the reduction of the error rate. To this aim he announced that a screening of the rules applicable to CAP would be launched. He called on the co-legislators to simplify law. He insisted on the importance of the corrective and preventive measures that the Commission had deployed and stressed in particular suspension of payments as a useful new tool available to the Commission. Ms GRÄSSLE, rapporteur, inquired about the help that CONT could offer to the Commission in ensuring a better delivery in this policy area. Mr HOGAN replied that the error rate had to be put in perspective with the wider objectives of CAP, in particular its influence on the food industry. More generally, in his view, the declaration of assurance should take more into account the performance audit. He stressed the cross-cutting impact of CAP with other policy areas and announced that he would address this issue at the AGRI Committee in the coming days.

## **2. Exchange of views on recent allegations concerning EULEX Kosovo mission**

At its meeting on 1 December CONT held an exchange of views on EULEX Kosovo. Ms GRÄSSLE (EPP, DE) chair, welcomed Mr DEANE, EEAS representative.

Mr DEANE gave a short state of play of the allegations of bribery at EULEX Kosovo. He said that an investigation had been ongoing for one year. A mixed EULEX - KOSOVO team had been established. The pace of the investigation had to take into account its mixed nature and the procedure required to lift immunities. He referred to the appointment by the High Representative of Jean Paul JACQUÉ as external expert, and said that the EEAS was also cooperating with the OMBUDSMAN's investigation but that there was no overlap between the two. He told Ms AYALA SENDER (S&D, ES) that OLAF would cooperate with the EEAS, whenever it had a role to play. He told Ms GRÄSSLE that the EP would be kept fully informed and that Mr JACQUÉ's report should be ready and made publicly available by the end of March 2015. However a timetable for the end of EEAS/KOSOVO investigation was not possible, although every effort would be made to complete it as soon as possible.

Ms LUNACEK (Greens, AT) considered that the matter was a blow to the EULEX mission, giving the impression that it was ineffective, whereas it had delivered positive results despite the difficult circumstances in which it operated. She welcomed the initiative of the HR to appoint an external expert. The EEAS representative gave some explanations to Mr GEIER (S&D, DE) on the line of command at EULEX and told Mr STAES (GREENS, BE) that the person concerned by the allegations of bribery was a judge from an EU Member State. Mr LUNACEK announced that she would soon go to Kosovo on a mission.

### **3. Fight against fraud to the Union's financial interests by means of criminal law - 2012/0193(COD)**

Ms GRÄSSLE, rapporteur, made a very short update of the four trilogue meetings held under the Italian Presidency and considered that substantial progress had been achieved. She expected that another trilogue meeting would be convened by the Presidency in December to reach an agreement on the remaining controversial points, in particular the inclusion of the VAT and the definition of serious crimes.

### **4. Special Report No 7/2014 (2013 Discharge) "Has the ERDF successfully supported the development of business incubators?"**

Mr GRETEN, member of the ECA, considered that priority was given to using ERDF financing rather than to achieving satisfactory results. Mr BALCYTIS, rapporteur, endorsed ECA's recommendations that the Commission call on Member States to guarantee that incubators are established on the basis of detailed and realistic business plans, staffed with skilled staff, and that they reach out to clients irrespective of their geographical origin and help them in preparing an incubator programme. Ms DLABAJOVA (ALDE, CZ) largely agreed with the rapporteur and suggested that public/private partnerships may be needed and that incubators may be linked not only to universities but also to other educational establishments.

*Voting time*

### **5. European Investment Bank - Annual Report 2013**

The report was adopted, as amended, with 17 votes in favour and three abstentions.

*end of voting time*

**6. Special Report No 12/2014 (2013 Discharge) "Is the ERDF effective in funding projects that directly promote biodiversity under the EU biodiversity strategy to 2020?"**

Mr OWEN, Member of the ECA, underlined that loss of biodiversity could result in adverse health and economic effects. He nevertheless pointed to some weaknesses in managing the EUR 2,8 billion allocated to the programme, due to the non- or very low absorption by 12 Member States, the creditworthiness of financed projects and the lack of indicators to measure results.

Mr MANSCOUR (S&D, FR), rapporteur, welcomed the ECA report and agreed with Mr Owen and wondered whether Member States should not be given a more binding frame for financing.

The representative of the Commission said that target-setting and indicators had been reinforced, but considered that a larger picture could only be given by MSs, since biodiversity could be a feature of other programmes. A comprehensive report on the effectiveness of the habitat birth directive would be prepared. Ms DLABAJOVA was concerned about problems around the border, since areas were not protected in the same way. In her view, stakeholders should still be allowed to use natural resources. Mr OWEN agreed with Ms GRÄSSLE that coordination of financing biodiversity had been lacking and that preparatory actions rarely turned into real projects. The rapporteur added that administrative capacity to keep projects going was also lacking and that more effective management should be requested from Member States.

**7. Special Report No 15/2014 (2013 Discharge) "The External Borders Fund has fostered financial solidarity but requires better measurement of results and needs to provide further EU added value"**

Mr GALEA, member of the ECA, said that the performance audit could conclude that the Fund had contributed to foster solidarity, although further added value remained limited. Weaknesses had also emerged in monitoring, reporting and in public procurement. Mr de JONG (GUE, NL) rapporteur, welcomed the report, but considered that a modern notion of solidarity should apply, allowing MSs with higher immigration pressure to be funded and reimbursed by the other MSs. He also felt that earmarking could lead to meeting the performance indicators set out by the ECA.

The representative of the Commission assured the Committee that the final evaluation would address some weaknesses found by the ECA in the mid-term review of the programme. He stated that the new programme - in force since January 2014 - had addressed much of the weaknesses found by the ECA and that the new programme better focussed solidarity, priority objectives and compliance with Human Rights. In replying to a question put by Ms GRÄSSLE on the absorption capacity of Greece, the rapporteur considered that Greece was not given sufficient incentive to carry out an effective border control.

More generally, he complained that MSs that were not submitted to border pressure could be financed under the new scheme since he felt that financing should instead concentrate on MSs in need.

## **8. Discharge 2013: EU general budget - 8th, 9th and 10th European Development Funds (EDF)**

Mr LALOUX, EIB's representative, after presenting the bank's activities under the EDF, faced a rather confrontational debate. Mr DLABAJOVA, rapporteur, inquired in particular about the specific characteristics of the risk in ACP countries, rules that guarantee the use of resources in these countries, absorption capacity of those countries and strategic issues for the EU.

Mr SARVAMAA (EPP, FI) said that more information was needed to assess whether the EIB was on the right path. Ms LAMARQUE, member of the ECA, stressed that the ECA had no mandate to monitor the EIB and that no special report had been prepared. On the basis of a tripartite agreement signed in 1999 between the ECA, the Commission and the EIB, an audit would be conducted by Mr LEHNE, member of the ECA and former chair of the JURI Committee. The report would be presented to the CONT next year. The representative of the Commission said that an independent evaluation of the EIB operations had been carried out in 2010 and that a new one would be launched in 2015.

Mr LALOUX stressed that the EIB acted under the control of the EU Member States, which were its shareholders. External financing was provided through a specific investment facility in order not to jeopardise the Bank's triple A rating, in view of the high political risk of investing in those countries. MSs had tasked the EIB to invest there on the basis of criteria that included the development of the private sector and in particular of SMEs, since the capital market was unwilling to invest in ACP countries without a return of at least 20%. He referred for details on the projects to the ECA's 2013 Annual report on EIB activity in Africa, the Caribbean and Pacific, and the overseas territories.

Ms DLABAJOVA, supported by Ms GRÄSSLE, concluded that more light needed to be shed on EIB activity and urged the Commission to provide more background information.

## **9. Next meetings**

- 8 December 2014, 15.00 – 18.30 (Brussels)
- 11 December 2014, 9.00 – 12.30 (Brussels)