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

**on the follow-up to 2010 discharge - Replies to requests from the Council**

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## INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to 2010 Discharge. It presents in detail the answers to the 91 specific requests made by the Council in the comments accompanying its Recommendations on the 2010 Discharges<sup>1</sup>.

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<sup>1</sup> Document references 6081/12 ADD 1 and 2, and 6084/12 ADD 1 published on:  
<http://www.europarl.europa.eu/committees/en/cont/publications.html?id=CONT00003>

## **Council recommendation on the 2010 discharge (2010)**

## Introduction

1. (§1, par 2, page 4) The council recalls the importance of having comprehensive, consistent and timely information on the actual use of pre-financed amounts available. It asks the Commission to continue to improve its supervision of the use of pre-financed amounts, to revisit the relevant accounting rules, and to systematically collect the necessary data from Member States in a timely manner.

**Commission's response:**

*Done - the Commission continues to improve supervision of the use of pre-financing. As a general rule, the implementation of an action is monitored via progress reports submitted by the beneficiary. However, it can happen that the information provided is not sufficient to clear the pre-financing.*

*Secondly, the accounting rule on pre-financing has been updated in January 2012.*

*Finally, it is highlighted that the information on FEI/ state aid schemes was gathered from Member States in time for the 2011 provisional accounts. Furthermore, the update of regulation 1083/2006 (ERDF, CF, ESF) insures that the basic required information will be available with every cost statement received from Member States.*

2. (§3, page 5) The Council urges the Commission to fully assume its responsibilities in the implementation of the budget, and to carefully exercise its supervisory role within the existing legal provisions in order to limit the risks to the legality and regularity of transactions, notably through the interruption and suspension of payments whenever significant deficiencies in the functioning of management and control systems are identified and until corrective action is fully implemented. At the same time, the Council calls on the Commission to correct identified errors without delay through the recovery of amounts unduly paid and through financial corrections. It invites the Commission to report about the progress made in the implementation of corrective action, based on the Commission's and Member States' data on recoveries and withdrawals.

**Commission's response:**

*The Commission reiterates its firm commitment for a strict and timely supervision of the implementation of programmes. It considers it already has, at present, a wide range of legal tools to exercise this supervision, such as a strict application of interruption of payments, suspension of operational programmes and financial corrections where needed. It does not hesitate to use them as shown in the annual activity reports of the Directors General of DG REGIO and DG EMPL and in the amounts of financial corrections reported by the Commission in the Note 6 to the Accounts. Commission services also report in their annual activity reports about data provided on withdrawals and recoveries by Member State, and their assessment about progress made in this area by Member States based on its audits. The Commission agrees that these tools could be further improved and strengthened in particular with regards to applying net reduction for corrections. The Commission's proposals for the 2014 – 2020 programming period largely meet*

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

3. (§4, page 5) The Council encourages the Commission to thoroughly evaluate the functioning of existing regulations, to identify weaknesses and possibilities for improvement, and to propose the necessary modifications in the context of the ongoing revision of the Financial Regulation and the design of sectoral legislation relating to the next multiannual financial framework. However, the Council also calls on the Commission to systematically compare possible benefits resulting from such modifications with the additional administrative and control burden, in order to establish the right balance between added value and increased costs, before proposing any major modifications.

**Commission's response:**

*The Commission proposal for a revised Financial Regulation was adopted in May 2010 and the sector-specific proposals for the post-2013 period end of 2011.*

*In designing its proposals, the Commission's endeavoured to reduce the administrative burden and facilitate access to funds by EU citizens and businesses, especially SMEs, given that this will specifically contribute to growth and employment. The Commission's proposals also included measures for a more modern, flexible and efficient administration, which should have an impact on the attractiveness and improve performance of the programmes. Therefore some proposals are intended to reduce the administrative burden of beneficiaries, and others can limit the costs borne by the administration at EU, national and regional level. The Commission reported on the proposed simplification measures in its communication 'Simplification Agenda for the MFF 2014-2020' ((COM(2012)42) addressed to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions in February 2012.*

*A political agreement on the Financial Regulation was reached in June 2012. The inter-institutional negotiations on the sector specific legislation are still ongoing.*

4. (§5, page 5) The Council reminds of the importance to simplify policy objectives, enabling a subsequent simplification of programme structures and management systems at the level of beneficiaries. It also recalls the need for further guidance to

Member States and beneficiaries, in order to further bring down the frequency of eligibility errors.

**Commission's response:**

*In February 2012 the Commission adopted the communication 'Simplification Agenda for the MFF 2014-2020' (COM(2012)42) to take stock of the simplification measures proposed in the sector specific rules for the 2014-2020 programming period. Simplification and targeting of the use of the EU funds constitute a necessary and effective approach to drive the Europe 2020 strategy forward and to use the EU budget as a means to deliver policies that enhance growth and employment.*

*In the course of the legislative process and subsequent implementation of the programs concerned, the Commission will be particularly vigilant in ensuring that simplification measures remain a priority so that the benefits of simplification ultimately accrue to beneficiaries.*

*Simplification is a common challenge and a shared responsibility for the EU Institutions and the Member States. The extent of simplification for the next programming period will depend on the results of the ongoing inter-institutional negotiations.*

*National and regional authorities receive continuous guidance from the Commission in the form of guidance notes and training, at the beginning of and during the programming period, including when changes are made to the regulatory framework.*

5. (§7, page 6) The Council calls on the Commission to remedy the weaknesses identified by the Court in the content and comparability of the annual activity reports. It emphasises the urgency of a coherent application across Directorates-General of the concept of estimating residual error rates, taking into account in particular the actual amounts at stake and the control mechanisms in place, but also all available audit results, including those of audits carried out outside the Commission at the level of beneficiaries. It also stresses the importance of enlarging the scope and scale of reservations issued.

**Commission's response:**

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

*As a result, major improvements were made in the 2011 AARs towards a more objective and accurate determination of the scope of the reservations and the resulting financial exposure. These improvements include better consistency in the use of terminology, in the presentation of error rates, in the calculation of the amount at risk and the application of materiality criteria as well as the use of the*



*best reliable information available in the shared management area (COM(2012) 281 final).*

6. (§8, page 6) The Council takes note of the considerable increase in the volume of outstanding budgetary commitments under multiannual programmes. It therefore calls on the Commission to carefully monitor the amounts of outstanding commitments, and to settle or decommit them as timely as possible.

**Commission's response:**

*The Commission has taken the recommended action.*

*Results of the monitoring of outstanding budgetary commitments are presented yearly in a progress report on RAL, a working document of the Draft General Budget of the Commission. For cohesion, an analysis of outstanding commitments is published yearly in the Commission staff working paper (DG Budget) "Analysis of the budgetary implementation of the Structural and Cohesion Funds".*

*The yearly exercise for Potentially Abnormal RAL (PAR) provides a classification by the services of old and dormant outstanding commitments, the focus being in old cases. The services can classify open cases to following broad categories: normal/still ongoing/dispute cases/to be de-committed. This last category is considered as unjustified RAL (contracts can be closed and open amounts should be de-committed and possible recoveries made). All those cases are monitored in a follow-up exercise six months later.*

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

7. (§9, page 7) The Council takes note of the Commission's analysis of errors identified by the Court's audit results in "Cohesion" for the period 2006-2009 and considers that it represents a starting point for reinforced efforts to reduce the errors in the budget for "Cohesion". It invites the Commission to pursue its efforts to identify, analyse and report on error rates, best practices and recurrent weaknesses in financial management on the basis - in the future - of all information available to it.

**Commission's response:**

*The Commission is continuing to implement its commitments under the 2008 Action Plan, as shown by its analysis of the errors and targeted actions taken against the programmes and Member States that contribute to the error rate (see Staff Working Document SEC(2011)1179 of October 2011). In addition the Commission reiterated its commitment to strictly apply its supervisory role in Commissioner Semeta's letter to the CONT chair (ARES 249442 of 2 March 2012), and is closely following-up reservations made in the 2011 AARs.*

## Chapter 1 - The statement of assurance and supporting information

8. (§1, par 3, page 8) The Council encourages the Commission to continue to assure that the high quality of the accounts is also maintained in the coming years.

**Commission's response:**

*Done - the Commission has continued with actions such as the accounting quality process, as well as taking new actions to address matters raised by the Court, such as receiving reporting on Financial Engineering Instruments from Member States, so as to ensure that the high quality of the accounts is maintained.*

9. (§2, par 5, page 9) The Council encourages the Commission to further reinforce supervision and control structures, to further strengthen its cooperation with Member States and to continue to improve guidance to national managing authorities, in order to bring down the level of error in Union spending in the years to come.

**Commission's response:**

*In the current programming period and since the implementation of the 2008 Action Plan to strengthen the Commission's supervisory role in the area of shared management of structural actions (COM(2008) 97), the Commission has increased its supervision of programmes in the area of cohesion while keeping the Member States accountable for the weaknesses identified in their systems. This materialises in a rigorous application of preventive and corrective measures, such as financial corrections made by the Member States at the request of the Commission or by the Commission itself, ex-ante approval of management and control systems in the Member States (approval of compliance assessments and national audit strategies) and the interruption and/or suspension of payments to programmes initiated as soon as shortcomings have been identified in the programme implementation.*

*National and regional authorities receive continuous guidance from the Commission in the form of guidance notes and training, at the beginning of and during the programming period, including when changes are made to the regulatory framework.*

*With the proposals for cohesion policy for the 2014-2020 programming period (COM(2011) 615), the Commission aims at increasing responsibility, accountability and assurance provided by the responsible programme authorities in the Member States. Therefore, it has proposed in its triennial revision of the Financial Regulation to introduce annual management declarations of assurance, which is part of the proposals for the 2014-2020 programming period. The proposal includes also agreeing on development and investment partnership contracts between Member States and the Commission to outline preconditions for successful implementation of cohesion policy and to strengthen the administrative capacity where necessary. Furthermore, the proposal to provide for a designation of bodies at national level aims at placing more responsibility for the effectiveness of management and control systems on the Member States.*

## Chapter 2 - Revenue

10. (*Par 2, page 11*) The Council encourages the Commission to continue to improve its management in order to reduce the risk of budget losses from waivers of amounts to be recovered.

**Commission's response:**

*The current regulatory framework already provides efficient risk prevention of budgetary losses, related to the waiving of debts, through the publicity given to the waiver decisions involving significant amounts. In effect, waiver exceeding the thresholds established (usually 100,000 euros) is brought about by Commission (Collège) decision adopted following an interservice consultation involving at least DG BUDGET and the Legal Service (and OLAF if it has been involved in the case). Following its adoption by the Collège, the waiver decision is mentioned in the annual activity report of the Authorizing Director General, and this report is a document published on the Europa web site and transmitted to the budgetary authority (Article 85,5 of the Implementing Rules of the Financial Regulation). The audit carried out by the Court of Auditors on the waiving of entitlements of DG RTD, DG DEVCO and DG COMP has concluded (AR 2010, Ch. 2) that the current procedure is efficient. Following the next amendment to the financial regulation, the recovery rate of claims due by insolvent debtors should improve thanks to a provision which, if adopted by the legislative authority, plans to upgrade to a secured status the claims that are currently considered as unsecured claims in all Member States.*

11. (*§1, par 1, page 11*) The Council notes that certain problems relating to the management of B-accounts persisted. It calls on the Commission to continue its surveillance and guidance activities in order to ensure correct accounting of established customs duties.

**Commission's response:**

*The Commission examines the management of the B-account in the course of each inspection it carries out in the Member States. It will continue to do so in order to ensure the correct accounting of traditional own resources.*

12. (*§2, page 11*) The Council notes with satisfaction the good progress made in lifting long-outstanding reservations regarding VAT-based own resources. It encourages the Commission to further improve the management of reservations, in order to pursue lifting VAT reservations with the same diligence.

**Commission's response:**

*The Commission's ongoing efforts have already obtained further progress during 2012.*

13. (*§3, page 12*) The Council calls on the Commission to complete its verification of Member States' GNI inventories so that the existing general reservations can be lifted

or replaced by specific reservations. It also encourages the Commission to continue to make progress to reduce the number of specific reservations related to GNP data.

**Commission's response:**

*The Commission is taking the requested action. The GNI Committee adopted the assessment reports, and the Commission (Eurostat) completed its verification of the GNI data of the EU-25 Member States, in July and October 2011. By letters of 27 January 2012 the Commission lifted the general reservations for EU-25. By the same letters specific reservations were put in place in respect of GNI data for the period 2002 onwards for EU-25.*

*The Commission will present the assessment reports for Bulgaria and Romania in 2012 so that the general reservations can be replaced with specific reservations.*

*The Commission is continuing its cooperation with the two countries that still have GNP reservations for the period 1995-2001 (1 for Greece and 1 for the United Kingdom at end 2011) so that these reservations can be lifted. As a result of these efforts 2 reservations for the United Kingdom were lifted in 2011.*

### Chapter 3 - Agriculture and natural resources

14. (§1, par 4, page 14) The Council encourages the Commission and Member States to continue their efforts to ensure the reliability and completeness of data. It awaits the results of the implementation by the Commission of the first exercise of quality assessment in 2010 of the Land Parcel Identification System (LPIS).

**Commission's response:**

*The requested action has been taken.*

*The Commission works with the Member States to ensure a continuous improvement of the supervisory and control systems. Recommendations are made in this respect as part of the normal audits and action plans are developed and implemented by Member States with serious problems. The Commission considers that these plans have been successful.*

*As of claim year 2010, Member States are obliged to assess the quality of their LPIS according to a common methodology.*

*The results of the first year's exercise were presented to the Member States in the Management Committee meeting on 7 July 2011.*

15. (§2, par 3, page 14) The Council insists on the need for additional measures of simplification which should notably reduce the complexity of eligibility criteria and agree on harmonised definitions.

**Commission's response:**

*The Commission is taking the requested action.*

*The Commission has, in the context of the CAP reform, proposed eligibility criteria that are as simple as possible, while still contributing in an effective manner to the attainment of the policy objectives of the reform. Definitions have been revised and harmonised where possible. As regards eligibility criteria for rural development support by the EAFRD, the level of complexity largely depends on the detailed conditions defined by the Member States under their national and regional programmes.*

16. (§2, par 4, page 15) Concerning the opinion to be given by the certification bodies on the quality of on-the-spot inspections carried out by the paying agencies, the Council asks the Commission, when opting for a method, to take into consideration the respective administrative burden of re-performed and accompanied inspections in relation to their added value.

**Commission's response:**

*The requested action has been taken.*

*The Commission guidelines leave the certification bodies the choice to either accompany or to re-perform on-the-spot inspections. Even though the Commission is of the view that, if carried out in due time, a re-performance of a previous check provides a better assessment of the quality of on-the-spot checks, it is still possible to evaluate the control environment through inspections accompanied by the certification body. Where it is not possible to re-perform a check in due time, accompanied inspections are a good alternative. They also have the additional benefit of reducing the administrative burden on the farmer by avoiding an accumulation of controls.*

17. (§2, par 5, page 15) Notably in the context of the reform of the Common Agricultural Policy after 2013, the Council asks the Commission, when proposing measures to improve the systems, to avoid unnecessary administrative burden and additional complexity, to maintain a flexibility level respecting regional specificities, and to give sufficient time to the stakeholders to adjust to the new procedures.

**Commission's response:**

*The Commission will be taking the requested action.*

*The Commission has in the context of the CAP reform endeavoured to propose measures and instruments that are as simple as possible, while still being effective tools to achieve the overriding policy objectives of the reform. Where possible, the Commission has proposed straightforward measures aimed at reducing administrative costs and burdens for both beneficiaries and national administrations. The small farmers scheme is the most prominent example of such measures. The Commission has also shown itself open to considering options that give Member States and regions a certain degree of flexibility. It should however be kept in mind that increased flexibility at national or regional level is not necessarily a guarantee for reduced administrative costs in relation to management and controls. The impact on administrative costs and burdens will be duly taken into account when preparing the implementation of the reform. The time available for the stakeholders to adjust to the new procedures will depend to a large extent on when the legislative authority adopts the basic acts as it is only at that stage that the Commission can make its proposals for the implementing and delegated acts which will be necessary to allow Member States to adapt their procedures.*

## Chapter 4 - Cohesion, energy and transport

18. (*§1, par 4, page 17*) The Council invites the Commission and Member States to continue their efforts in monitoring compliance with EU and national eligibility requirements and public procurement rules. It also invites the Commission to ensure a better dissemination of information and best practices through trainings and guidance, and, in particular, to target its assistance on programmes where serious and recurrent risks have been identified.

### Commission's response:

*The Commission has taken the recommended action. It has continued also in 2011 to monitor compliance with eligibility and public procurement rules in the implementation of structural and cohesion fund programs/projects, has disseminated information and best practices and has given assistance to high risk programme authorities. Details on the actions taken can be found in DG REGIO's 2011 Annual Activity Report.*

*To improve the compliance with eligibility rules, the Commission has assisted Member States in implementing effective management skills and tools. Such action consisted, for instance, of operating critical review of selection criteria together with national authorities before launching Operational Programme calls (Bulgaria). JEREMIE and JESSICA Networking Platforms also provided a forum for exchanges of know-how and experience.*

*To improve compliance with public procurement rules, the Commission's focus was on a) continuing to ensure the detection and correction of errors, and b) continuously providing guidance to national authorities and requiring that they provide further guidance to implementing bodies. The Commission has organised and will continue to organise numerous seminars, workshops, presentations and training sessions for programmes' authorities, particularly in Member States where particular problems have been identified (events were held in 2011 in the Czech Republic, Slovakia, Hungary, Italy, Slovenia and Portugal as well as at multiannual lateral events). It is also taking action on a bilateral basis, in order to assist Member States to tackle specific issues. The Commission has presented an analysis of the most frequent errors identified by Community audits in Cohesion in the implementation of public procurement rules to Member States' representatives in the Consultative Committee of the Council in May 2011 and asked Member States' representatives to reflect on actions that could be shared / taken at national level to ensure better compliance with public procurement rules in Cohesion policy.*

*In the area of financial management, the Commission has taken action to enhance the capacities in the Member States. An example is the joint seminar for the Baltic states to inform and make understood the simplified cost options to a wider audience.*

*As a general rule, the Commission will continue to rigorously exercise its supervisory role by asking Member States to address the weakest points in their management and control systems, by focusing its audits on the main risks*

*identified, by completing the review of the quality of the audits undertaken by the audit authorities and by applying interruptions and proposing suspensions of payments, and financial corrections whenever necessary. This shall include monitoring the effective and timely programme implementation. With view to the areas of eligibility and public procurement rules, the Commission will continue to provide targeted guidance to relevant national authorities to organise thematic presentations and to provide support on simplified costs options (eligible costs), and to focus its interventions for these Member States and programmes which require it most (see Commission Staff Working Paper SEC (2011) 1179).*

19. (*\$1, par 6, page 17*) The Council invites the Commission to continue to ensure its cooperation with Member States regarding the implementation of (FEI) and to ensure that appropriate control and reporting requirements are put in place already for the rest of the current programming period.

**Commission's response:**

*The Commission committed to an action plan in the letter sent by Commissioner Semeta to the CONT chair (ARES (2012) 249442 of 02/03/2012). This includes actions to improve the monitoring of financial instruments (FIs).*

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

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

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

*For the next programming period, the Commission has proposed to further enhance monitoring mechanisms for financial instruments and welcomes the support of the European Parliament in this area during the legislative procedure.*

20. (*\$2, par 2, page 18*) The Council invites the Commission to continue to take corrective action, whenever appropriate, in order to ensure that national Audit Authorities deliver high quality audit results in a timely manner. It encourages the Commission to continue to follow a more risk-based approach in its checks, to concentrate its efforts on particular problems in financial management and to make use of all available audits.



**Commission's response:**

*The Commission intends to rely, as much as possible, on the work of the national audit authorities in order to focus its own audit resources on high risk programmes and authorities. However Article 73 of Regulation (EC) No 1083/2006 stipulates that the Commission may rely on the audit authorities' opinion and reduce its own audits, if it has obtained reasonable assurance that the management and control systems of the programme function effectively. Therefore, the scope of the Commission's assurance goes beyond the work of the audit authorities and refers to the functioning of the system as a whole. In practice, this reduces the number of programmes that are eligible for the single audit approach.*

*Since 2009, the Commission has re-performed audit work performed by a sample of 34 high risk audit authorities covering 92% of the ERDF/CF funding for the period, in order to determine the level of assurance that could be obtained for a number of audit authorities covering a substantial part of programmes and funding. The Commission has identified the first group of audit authorities that could qualify for the single audit status and is sending out letters confirming its reliance on their work and the related operational programmes in June 2012. The Commission will continue in 2012 and beyond the re-performance of audit work in order to identify possible other candidates and to follow-up weaknesses identified in the work of some audit authorities. This information is clearly detailed in the 2011 Annual Activity reports as well as in the Joint Audit Strategy currently under update.*

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

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

21. (§4, page 18) The Council notes that the Commission has only partially followed the Court's recommendations of special report No 7/2009 on the management of Galileo. It asks the Commission to finalise the implementation of the remaining recommendations without delay.

**Commission's response:**

*The Commission took note of the Court's recommendations of special report No 7/2009 on the management of Galileo. The implementation of the recommendations has been taken into account to draft the Commission's proposal for a regulation on the implementation and exploitation of the European satellite navigation systems. This proposal is also based on the conclusion and resolution of the Council and the European Parliament following the adoption by the Commission of the mid-term report of the programmes (reference: COM(2011) 5 final). The proposal for a regulation has been adopted by the Commission in November 2011.*

*This document encompasses the political and strategic objectives of the programmes, their specific objectives, their governance framework as well as their financing. The text is currently discussed by the European Parliament and the Council with the aim to have it adopted by the end of 2012 (subject to an agreement on the multiannual financial framework 2014-2020). Once adopted by the European Parliament and the Council, this regulation will repeal Regulation (EC) No 683/2008, which constitutes the reference document as regards Galileo and EGNOS objectives.*

## Chapter 5 - External aid, development and enlargement

22. (§1, par 2, page 19) Concerning DG ELARG, the Council asks the Commission to take the necessary measures to correct the shortcomings identified by the Court concerning tendering procedures and the definition of more detailed criteria for lifting ex-ante control and suspending the " conferral of management" to third countries.

**Commission's response:**

*The tendering procedures aimed at in the report have been initiated several years ago, under a different instrument and by an implementing body that has been wound up in 2008.*

*Concerning the conferral of management, the Court noted that in 2011 DG ELARG started the analysis of the possible options to define in more detail criteria and benchmarks for the conferral of management powers and for the waiver of ex ante controls. Four subsystems audits were carried out in 2011. These covered the actual functioning of some key aspects of the national systems in Croatia and Turkey. The relevant EUDs implemented their audit and on-the-spot mission plans, gaining in this way additional assurance on the performance of the national systems.*

*In 2012, this analysis will be deepened in the framework of the renewed Instrument for Pre-Accession. The regular monitoring of the national systems by HQ and Delegations continues, whereby the subsystem audits are one of the tools used.*

23. (§2, page 20) The Council, while acknowledging that the Court considered DG ELARG's monitoring and supervisory systems as effective, urges the Commission to ensure improvement in the quality of data entered in the management information systems.

**Commission's response:**

*DG ELARG approved a new guideline document to ensure the quality of CRIS data. The new DIS payment checklists provide for checks on iPerseus contract data.*

24. (§3, page 20) The Council invites the Commission to promptly address the recommendations made by the Court, namely to further improve guidance and follow-up in the preparation of Annual Audit Plans at delegation level, and to define a coherent methodology for the calculation of the residual error rate across Directorates-General.

**Commission's response:**

*The remaining issues pointed out by the Court within the context of the Annual Audit Plans (minimal coverage ratio of expenditure to be audited by delegations*

*and no obligation for the delegations to inform headquarters on the follow-up actions to the audit reports) were taken into consideration and addressed.*

*In AAR 2010 DG ELARG calculated the residual error rate for decentralised management as it is the management mode presenting the highest level of risk. A parallel indicator for centralised management, and the methodology for its calculation, is now being developed and tested by DG ELARG in coordination with relevant Commission services.*

25. (§4, page 20) Concerning the follow-up report No 9/2008 (TACIS) on the effectiveness of EU support in the area of freedom, security and justice for Belarus, Moldova and Ukraine, the council invites the Commission to pursue its work in order to take also into account the remaining remarks presented by the Court, notably concerning the integration of performance indicators and strategic objectives in the planning documents and the full evaluation of progress made by the three delegations.

**Commission's response:**

*The Commission identification and formulation documents contain reference to general objective and specific purpose of each action, as well as to performance monitoring mechanism. Independent result-oriented monitoring (ROM) is systematically used to feed the quality support dialogue between Delegations and Head Quarters.*

## Chapter 6 - Research and other internal policies

26. (*Par 2, page 21*) The Council notes that the Commission has adopted measures to simplify the implementation of the 7th RFP and encourages the Commission to continue towards further procedural simplification and increased awareness among beneficiaries.

**Commission's response:**

*The measures adopted in 2011 for simplifying the FP7 were successfully implemented. In this respect, the following aspects have been improved:*

- The time-to-grant in FP7 is continuously decreasing since 2010.*
- The Commission has undertaken efforts to further improve the IT systems for proposal and grant management.*
- The FP7 participant portal now provides the single platform for all exchanges with applicants and beneficiaries for proposal and grant management.*
- Moreover, the Commission has presented in November 2011 its proposal for the Horizon 2020 research and innovation programme, including its rules for participation. The proposal comprises a radical simplification of the funding rules.*

*A communication campaign has been launched in 2012 to make beneficiaries and certifying auditors aware of the common errors identified in cost claims.*

27. (§2, page 21) The Council encourages the Commission to continue to reinforce its internal control systems.

**Commission's response:**

*The Commission is constantly seeking to improve its internal control systems, both in terms of ex-ante and ex-post checks. It is reviewing and improving its ex-ante control procedures and continuing its ex-post audit work and recovery actions. It is re-enforcing on-going efforts to provide guidance and feedback to participants and certifying auditors through a communication campaign.*

*The proposals of the Commission for Horizon 2020 will assist in this regard by removing a number of the sources of error that currently exist.*

*However, the cost-effectiveness of the internal control systems needs to be borne in mind. In line with efforts to simplify as far as possible its ex-ante control procedures, the ex-ante desk checks performed are necessarily limited. This is to reduce the burden on the beneficiary, and ensure that payments can be made quickly. An across the board increase in ex-ante control would not assist in achieving a cost-effective and attractive research programme. In this context, the control systems will be reviewed, which may include a potential rebalancing of the current ex-ante and ex-post controls, whereby their scope and depth would be considered from a risk-based and cost-effectiveness perspective.*

28. (§2.1, par 2, page 22) The Council encourages the Commission to follow the Court's recommendations to increase the independent auditors' awareness notably of the rules on the eligibility of expenditure.

**Commission's response:**

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

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

*In 2012 the Commission has launched a communication campaign in order to raise the awareness of beneficiaries and certifying auditors of the rules on the eligibility of expenditure and this will continue.*

29. (§2.1, par 5, page 22) As regards the procedures which aim to ensure that the results of external audits can be relied upon, the Council invites the Commission to systematically carry out periodic quality reviews, in line with the Court's recommendations.

**Commission's response:**

*The Commission will intensify its efforts to ensure that the external audit firms meet all the specific requirements set out in the framework contract for every audit assignment. In this context, reviews of the working papers retained by the external audit firms will be performed to ensure these are in line with requirements of the framework contract. The first such reviews will take place before the end of 2012.*

30. (§2.2, par 1, page 23) As regards the Lifelong Learning Programme, the Council invites the Commission to continue to strengthen the implementation of primary controls in close collaboration with national agencies.

**Commission's response:**

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

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

*- provided continuously the NAs with the necessary framework and technical guidance to perform timely and qualitative primary checks on beneficiaries;*

*- provided the NAs with individual feedback, as part of the yearly evaluation conclusions on the programme implementation, on the compliance with the*

*minimum requirements for primary checks and followed-up on the progress achieved in view of previously expressed recommendations for remedial actions. This approach has become a standard part of the Declaration of Assurance/Yearly NA Reports evaluation exercise.*

*- introduced a new IT tool "Lifecard" which keeps track of the progress on all observations and recommendations addressed to the NAs, including on primary checks;*

*- reiterated the importance of compliance with the minimum requirements for primary checks at every NA Directors' meetings;*

*- kept the primary checks as a key area of focus during the Declarations of Assurance/Yearly NA Reports evaluation exercise as most observations issued to NAs in 2011 were in that area;*

*- commissioned a study on the cost of controls so as to optimise the effectiveness of the primary checks and improve their modalities in view of the future programmes.*

31. (§2.2, par 2, page 23) The Council encourages the Commission to continue its activities of support in order to help national authorities to correctly implement secondary controls.

**Commission's response:**

*The Commission confirms that it is continuing its support to the National Authorities. The Commission organises each year activities (seminars, updated guidelines, visits on the spot) to improve the National Authorities' implementation of the secondary control process.*

*During 2011 and 2012 the Commission has taken the following actions:*

*- introduction in 2011 of multiannual audit plans for National Authorities for 2012-2013 with detailed guidance*

*- presentation of the concept of multiannual audit plans in the LLP and YiA programme committees in 2011*

*- provision of individual feedback to National Authorities on their proposed multiannual audit plans*

*- provision of updated guidelines to the National Authorities for the 2011 Declaration of Assurance*

*- organisation of information seminars on 18 January 2011 and 19 January 2012*

*- realisation of a study on the cost of controls of National Authorities, followed by an analysis of the participating countries' performance in comparison to the results of the study*

*- the conclusions on secondary controls are included in the 2011 Annual Activity Report*

## Chapter 7 - Administrative and other expenditure

32. (§3, par 2, page 25) The Council invites the Commission to scrutinise the level of carry-overs of agencies and joint undertakings at year end.

**Commission's response:**

*When preparing the Draft Budget, the Commission makes a rigorous assessment of each agency's needs, in terms of EU contribution and staffing levels. As a result, in the 2013 DB the Commission proposes a stabilisation of the overall level of EU contributions to the agencies, whereas a large number of individual agencies see their budgets frozen at the level of 2012, or even reduced, as the Parliament requests.*

*The Commission performs its role of guidance and supervision in particular through the Commission representative(s) in the agency Steering committees. For more general governance issues, please refer to the work of the Inter-Institutional Working Group on agencies.*



## Chapter 8 - Getting results from the EU budget

33. (*Par 3, page 27*) The Council invites the Commission and Member States to generally include information on results and impacts in their monitoring and control systems, whenever possible and appropriate.

**Commission's response:**

*The Commission issued revised guidelines to its Directors-General for the preparation of the 2011 Annual Activity Reports, namely regarding reporting on policy achievements and focusing more on the progress towards the achievement of the objectives in terms of the results and impact.*

*All the Commission proposals for the next multiannual financial framework include the general and specific objectives necessary for a better assessment of the programmes' results and impacts.*

34. (*Par 4, page 27*) The Council recalls the need to thoroughly analyse the effectiveness and efficiency of EU spending through the setting of coherent SMART annual and multiannual objectives, interim milestones and performance indicators. It urges the Commission to take up the issues identified by the Court without delay and in full transparency, in order to further improve its performance in the targeted and most economic use of the limited resources available.

**Commission's response:**

*The Commission has made significant efforts to define objectives and indicators in a coherent and comprehensive way.*

*The Commission already improved the standard guidelines for the setting up of the Management Plans and the practical guide for setting up objectives and indicators.*

*The Commission has already considered this recommendation in the design of the next Multiannual Financial Framework, by setting up the following principles:*

- *Focus on delivering key policy priorities*
- *Focus on EU added value*
- *Focus on impacts and results*
- *Delivering mutual benefits across the European Union.*

**Special report 5/2010 " Implementation of the Leader approach for rural development"**

35. *(Council report 6081/12 ADD 2, Annex 1, 6th paragraph, page 3)* The Council requests the Commission to continue its permanent dialogue with Member States to improve the implementation of the Leader approach and to provide support for Member States in this regard on an ongoing basis.

**Commission's response:**

*The requested action has been taken.*

*The Commission has continuously discussed with MS improvements in the implementation in the Rural Development Committee as well as in the LEADER subcommittee of the ENRD. Several Focus Groups have been active under the ENRD. The Commission issued an updated version of the Guidance Document on LEADER.*

*A number of MS have modified their Rural Development Programmes respectively.*

*The Commission proposals for a reform of the CAP and the Common Provisions Regulations for the CSF-Funds take into account all improvements elaborated in the current period.*

**Special report 9/2010 "Is EU structural measures spending on the supply of water for domestic consumption used to best effect?"**

36. *(Council report 6081/12 ADD 2, Annex 3, 7th paragraph, page 7)* The Council calls on the Commission to better take into account the results of Jaspers' work and thus accelerate and simplify the approval process of major projects.

**Commission's response:**

*The Commission has implemented this recommendation by amending its decision-making procedures to be followed for ERDF and Cohesion Fund major projects. JASPERS' appraisals of major projects are included in the project file submitted to the Commission. JASPERS' comments are duly taken into account in the appraisal by the Commission. Where no significant outstanding issues have been identified by JASPERS in relation to a specific project the Commission can approve the project without delay.*

37. *(Council report 6081/12 ADD 2, Annex 3, 9th & 13th paragraph, page 8)* The Council calls on the Commission to simplify the setting of grant rates in order to better monitor financing gaps in such projects, and to take this into account when preparing the legislation post-2007-2013.

**Commission's response:**

*The Common Provisions Regulation tabled by the Commission for the EU Cohesion Policy 2014-20, provides in Article 54 the possibility to use flat rates for the calculation of the funding gap.*

**Special report 10/2010 "Specific measures for agriculture in favour of the outer most regions of the Union and the smaller Aegean islands"**

38. *(Council report 6081/12 ADD 2, Annex 4, 3th and 4th paragraph, page 9)* The Council notes weaknesses identified by the Court which could still lead to improvements in the specific measures. The council invites the Commission, together with the Member States concerned, to continue and step up its efforts to improve the effectiveness of the measures and to ensure that proper budgetary discipline and auditing is maintained.

**Commission's response:**

*The requested action has been taken.*

*In September 2010, the Commission published a Proposal for a Regulation (EU) of the European Parliament and of the Council laying down specific measures for agriculture in the outermost regions of the Union (COM(2010) 498 final) and a Report to the European Parliament and to the Council on the impact of the POSEI reform of 2006 (including recommendations to the MS) (COM(2010) 501 final). Audit work on the implementation of POSEI is ongoing.*

**Special report 11/2010 " The Commission's management of General Budget Support in ACP, Latin American and Asian countries"**

39. *(Council report 6081/12 ADD 2, Annex 5, 2nd paragraph, page 10)* The Council calls on the Commission to reflect all the recommendations of the audit in the preparation of the forthcoming Communication on EU budget support scheduled for the second half of 2011, which will also address political and policy aspects related to the eligibility, use, design, monitoring and evaluation of all types of EU budget support.

**Commission's response:**

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

40. *(Council report 6081/12 ADD 2, Annex 5, paragraph 5a, page 11)* The Council invites the Commission to continue to include macroeconomic stability and improved public financial management as important objectives of GBS while better tailoring GBS objectives and expected results that are sufficiently precise, measurable and time-bound to the specific circumstances of the partner country.

**Commission's response:**

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

41. *(Council report 6081/12 ADD 2, Annex 5, paragraph 5b, page 11)* The Council invites the Commission to strengthen its risk management framework by performing a structured and explicit assessment of risks at the outset of GBS programmes, in coordination with other donors, updating it regularly during implementation and adopting where and when necessary appropriate risk mitigation measures.

**Commission's response:**

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

*important tool during the formulation and implementation of budget support operations whilst also informing policy and political dialogue.*

42. (Council report 6081/12 ADD 2, Annex 5, paragraph 5c, page 11) The Council invites the Commission to strengthen its resource allocation criteria to determine the amounts to be allocated to individual GBS programmes in a better supported more transparent manner, that takes account of all available evidence.

**Commission's response:**

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

43. (Council report 6081/12 ADD 2, Annex 5, paragraph 5d, page 11) The Council invites the Commission to strengthen capacity building support linked to GBS and focusing more on country-specific priorities, with more emphasis given to oversight bodies and accountability and anti-corruption mechanisms.

**Commission's response:**

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

44. (Council report 6081/12 ADD 2, Annex 5, paragraph 5e, page 12) The Council invites the Commission to strengthen its management of performance-related conditions.

**Commission's response:**

*The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. The governance of Budget Support has been strengthened by the establishment of the Budget Support Steering Committee, composed of members of the senior Management of DGs DEVCO, ECFIN and of the EEAS which examine all sensitive cases of budget support proposed commitments and disbursements.*

45. (Council report 6081/12 ADD 2, Annex 5, paragraph 5f, page 12) The council invites the commission to strengthen its approach and its capacity to conduct policy dialogue in countries already receiving GBS and countries that could receive GBS, including through improving monitoring and on-going risk assessment.

**Commission's response:**

*The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. Furthermore a training programme on policy dialogue and capacity building has been conceived and is being given to staff.*

46. (Council report 6081/12 ADD 2, Annex 5, paragraph 5g, page 12) The council invites the commission to improve its reporting on the effectiveness of its GBS programmes.

**Commission's response:**

*The results of three in-depth evaluations (Tunisia, Zambia and Mali) have been published in 2011 and further joint donor evaluations are ongoing.*

47. (Council report 6081/12 ADD 2, Annex 5, paragraph 8, page 12) The Council calls on the Commission to further improve its approach with regard to strengthening design, monitoring and management of performance related conditions and linking disbursement with actual progress on GBS objectives.

**Commission's response:**

*The recommendation has been fully implemented. In accordance with communication COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES, guidelines for the designing and implementation of budget support programmes have been drafted and approved, taking these points into account. The governance of Budget Support has been strengthened by the establishment of the Budget Support Steering Committee, composed of members of the senior Management of DGs DEVCO, ECFIN and of the EEAS which examine all sensitive cases of budget support proposed commitments and disbursements. In addition, the Commission introduced, already in 2010, the obligation for EU Delegations of carrying out a systematic and improved analysis of Public Finance in the beneficiary countries. This is reflected in the new reporting format of public financial management (PFM) Annual Monitoring Reports.*

48. (Council report 6081/12 ADD 2, Annex 5, paragraph 9, page 12) The council calls on the Commission to provide to external stakeholders a complete, clear and accurate picture of its GBS programmes, notably with respect to the risks involved, how these risks are managed, progress made in the implementation of the programmes and the achievement of results.

**Commission's response:**

*The 2011 communication on Budget Support commits to the publication of relevant information; the discussions about the nature of the information and the best media is ongoing.*

49. *(Council report 6081/12 ADD 2, Annex 5, paragraph 10, page 13)* The Council urges the Commission, together with its partners, to progressively apply the approach with a view to assessing the impact of budget support programmes, taking particular account of the importance of poverty reduction.

**Commission's response:**

*The results of three in-depth evaluations (Tunisia, Zambia and Mali) have been published in 2011 and further joint donor evaluations are ongoing.*

50. *(Council report 6081/12 ADD 2, Annex 5, paragraph 11, page 13)* The Council calls on the Commission to reflect all the findings and recommendations of the Court's report in the forthcoming Communication on EU budget support.

**Commission's response:**

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

51. *(Council report 6081/12 ADD 2, Annex 5, paragraph 12, page 13)* The Council invites the Commission to put forward policy recommendations regarding structured and rigorous assessments of risk and GBS eligibility.

**Commission's response:**

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



**Special report 12/2010 "EU Development Assistance for Basic Education in Sub-Saharan Africa and South Asia"**

52. *(Council report 6081/12 ADD 2, Annex 6, paragraph 6a, page 16)* The commission is invited to review the effect of the increased use of General Budget Support in sub-Saharan Africa with regard to the overall development assistance for education, and consider whether adjustments to future programming are needed.

**Commission's response:**

*This recommendation is implemented as far as technically possible. All evaluations take into account Budget support, where applicable, and try to ascertain the contribution of this modality to the targeted objectives. General budget support programmes focus on the achievement of the entire range of poverty indicators and therefore do not directly support education-sector reform programmes. They do provide variable tranches, usually in health and education, which provide additional incentives for performance in these critical areas.*

53. *(Council report 6081/12 ADD 2, Annex 6, paragraph 6b, page 16)* The commission is invited to ensure that future development assistance to education focuses - to a greater extent than in the past - on the quality of education and the capacity of beneficiary governments to cope with increases in school enrolment.

**Commission's response:**

*Commission support for the quality of education and the increase in school enrolment has increased. Examples include guidance notes and training for Delegation and HQ staff. At country level, an increasing number of EC operations include such action. Examples include an initiative on Early Grade Reading Assessment (EGRA) supported by the EU in Namibia. At global level, the Commission proactively promotes attention to these issues in the International Task Force on Teachers for EFA and the Global Partnership for Education.*

54. *(Council report 6081/12 ADD 2, Annex 6, paragraph 6c, page 16)* The commission is invited to update and expand the relevant guidelines for education covering all aid delivery methods relevant for the sector, including projects, pooled funding and budget support, in a comprehensive manner covering the following issues: In what situations is it advisable to apply budget support to enhance education outcomes? How to carry out education policy dialogue where general budget support is the only aid delivery method concerned with education? How to choose and design relevant performance indicators for education in budget support? How to carry out sector performance review in the sectoral budget support context?

**Commission's response:**

*The existing sector policy support programmes guidelines (July 2007) clearly outline the three financing modalities which can be used to support education -1) project 2) pooled funding 3) sector budget support. The Commission has begun to review and adapt the general guidance available for 'programme and project cycle management'. Sector specific aspects are intended to be captured, as well as*

*guidance on the different aid modalities. Revised guidance documents for the 'programme and project cycle' are expected at the end of 2012, following one year of internal consultation and testing with EU Delegations. A briefing paper on performance indicators in education is under preparation. The Commission's regional training seminars in sector programmes overall (e.g. January 2012 seminar for Asia) and in education in particular (e.g. the forth-coming September 2012 seminar for Africa) give guidance on modality choice and on sector policy dialogue and performance review in education.*

55. (Council report 6081/12 ADD 2, Annex 6, paragraph 6d, page 16) The commission is invited to systematically use a combination of aid delivery methods, and in particular consider running a number of projects and programmes to promote local knowledge, to improve monitoring, and to benefit from non-state actors' ability to innovate and to provide for hard-to-reach children.

**Commission's response:**

*The Commission already uses a combination of financing modalities/delivery methods. This can be assured within a single sector policy support programme and the Commission has built up good practices and experiences in terms of using a mix of aid delivery in the education sector. There are many examples of the use of a combination of aid delivery methods: Nepal – sector budget support and policy dialogue is complemented by funding for a range of civil society organisations to provide school-based improvements and to monitor government support for school improvement measures. Myanmar – support to i) UNICEF to provide a range of interventions in selected townships and provinces, ii) monastic education authorities and schools; and iii) government to review and develop a comprehensive plan for the sector. Namibia - a combination of sector budget support, technical assistance, and project support, the latter aiming to enhance social accountability and school governance.*

56. (Council report 6081/12 ADD 2, Annex 6, paragraph 6e, page 17) The commission is invited to promote sector-specific public financial management reviews (and the use of Public Expenditure Tracking Surveys and other monitoring tools) and play a full part in donor education working groups where monitoring can be coordinated and supplemented, where appropriate, with independent monitoring processes.

**Commission's response:**

*The Commission strives to promote sector-specific public finance management (PFM) work wherever possible within the context of sector policy support programmes (SPSP). This type of activity is already taking place in quite a few countries. Examples of actions taken in the last 12 months: Papua New Guinea - supporting a public expenditure and financial assessment study; Kyrgyzstan - supporting a public expenditure tracking survey; Namibia - supporting a public financial management review; Somalia and Nepal - the EU is the lead donor in the sector working group; Myanmar - the EU has co-led the multi-donor education fund partner group supporting the Quality Basic Education Programme. In addition, there is a staff briefing paper on public expenditure tracking surveys.*

57. *(Council report 6081/12 ADD 2, Annex 6, paragraph 6f, page 17)* The commission is invited to ensure better alignment of different donors' requirements concerning the reporting formats and performance criteria to be used for government reporting in the education sector, where education is a focal sector and where general budget support is provided.

**Commission's response:**

*The alignment of donor monitoring and reporting systems is a practice already strongly promoted, particularly when working with other donors at country level in a sector wide approach and is formalised through the signature of 'Memorandum of Understanding'. As far as possible, this recommendation is being implemented with the updating of guidelines for Budget Support in accordance with the new communication : COM (2011) 638 THE FUTURE APPROACH TO EU BUDGET SUPPORT TO THIRD COUNTRIES.*

**Special report 13/2010 " Is the new European Neighbourhood and Partnership Instrument successfully launched and achieving results in the Southern Caucasus (Armenia, Azerbaijan and Georgia)?"**

58. *(Council report 6081/12 ADD 2, Annex 7, paragraph 4, page 20)* The Council urges the Commission to address the recommendations from the Court, by, streamlining the programming and design process through the strengthening of the links between the strategic documents and the annual action programmes, as well as through rationalising the strategic documents and further prioritisation during the programming.

**Commission's response:**

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

59. *(Council report 6081/12 ADD 2, Annex 7, paragraph 4, page 20)* The Council urges the Commission to assess carefully the eligibility for sector budget support on the basis of clear criteria and choosing sector budget support more selectively by considering all alternative options in ENPI and developing a more balanced deployment of the different tools. Furthermore, the council urges the Commission to improve the preparation and documentation of the decisions to launch budget support operations: specifying concrete objectives for these operations, specifically and explicitly tailored to the unique circumstances of the recipient country.

**Commission's response:**

*See response to recommendation 3, § 75, in ECA's Special Report No 13/2010 on "Improve the use of budget support".*

60. *(Council report 6081/12 ADD 2, Annex 7, paragraph 4, page 20)* The Council urges the Commission to provide sufficient qualified staff for the implementation of the sector budget support.

**Commission's response:**

*See response to recommendation 3, § 75, in ECA's Special Report No 13/2010 on "Improve the use of budget support".*

61. *(Council report 6081/12 ADD 2, Annex 7, paragraph 4, page 20)* The Council urges the Commission to identify possibilities to make sector budget support more visible and ensuring the monitoring of this tool.

**Commission's response:**

*See response to recommendation 3, § 75, in ECA's Special Report No 13/2010 on "Improve the use of budget support".*

62. *(Council report 6081/12 ADD 2, Annex 7, paragraph 4, page 20)* The council urges the Commission to help strengthen the general framework for public administration in the partner countries by using complementary measures to Twinning.

**Commission's response:**

*See response to recommendation 3, § 75, in ECA's Special Report No 13/2010 on "Improve the use of budget support".*

63. *(Council report 6081/12 ADD 2, Annex 7, paragraph 6, page 21)* In the light of the ongoing ENP review process, the Council invites the EEAS and the Commission to take into consideration the recommendations provided by the Court in its special report No 13/2010 for the whole neighbourhood area.

**Commission's response:**

*Measures undertaken to address cross-cutting recommendations (1 - on streamlining the programming and design process and 2) - on improving budget support) apply to the whole Neighbourhood Region.*

**Special report 14/2010 "The Commission's management of the system of veterinary checks for meat imports following the 2004 hygiene legislation reforms"**

64. *(Council report 6081/12 ADD 2, Annex 8, paragraph 5, page 22)* The Council encourages the Commission to take forward the design, development and implementation of appropriate responses to threats to food safety and to harmonise and to enhance the degree of coherence of import control legislation. As a means to achieve these objectives, it encourages the Commission to continue the development of TRACES and RASFF and their utilities and to improve the coordination with the Member States in this regard.

**Commission's response:**

*The new "RASFF" system was launched in June 2011 and Member States are migrating towards it. Migration will be completed in 2012.*

*As regards the coherence of import controls and the development of TRACES see reply to 2010/PAR/368.*

*Guidance documents were drawn up for certain aspects of veterinary import controls in agreement with Member States to assist in ensuring a more harmonised approach. The guidance documents cover CITES requirements for endangered species, health certification for fishery products and transit and transshipment. To complete this action the Commission organises workshops regarding import controls in border inspection posts and on the use of TRACES at import under its Better Training for Safer Food (BTSF) programme in order to disseminate best practices for border control procedures, improve knowledge of this complex area of work and ensure consistent and high implementation levels across the EU.*

**Special report 1/2011 "Has the devolution of the Commission's management of external assistance from its headquarters to its delegations led to improved aid delivery?"**

65. *(Council report 6081/12 ADD 2, Annex 9, paragraph 5, page 25)* The Commission's headquarters have a limited capacity to support the personnel located in delegations in improving quality of aid. Some progress has been made at headquarters level including the establishment of a directorate for "quality of operations". The council calls on the Commission to take necessary measures to ensure that the appropriate skills and expertise can be deployed from existing resources where and when needed.

**Commission's response:**

*Staff resources at EU Delegations have to be reviewed nationally and regionally, both in terms of level and expertise. In the framework of the redeployments that will take place in 2012 and 2013 following the workload assessment of Delegations and rebalancing exercise, DEVCO has launched a mapping of expertise of its staff in Delegations in view of having the "right person at the right place" and in order to ensure the best matching between the interest of the service and the individual motivations and capabilities.*

*In the same context, following the commitment made in the Communication on Budget Support to create senior regional teams of experts, the Commission will endorse in the course of the summer 2012 the number of staff and the location of those teams/hubs. These regional hubs for Budget Support (BS) and Thematic expertise will support Delegations (i) in designing and implementing BS programmes, as well as to engage in a genuine policy dialogue with partner countries (ii) for the new priorities set in the Communication Agenda for Change requiring growing expertise in new fields (private sector, financial blending, energy, sustainable agriculture, governance, etc).*

66. *(Council report 6081/12 ADD 2, Annex 9, paragraph 6a, page 25)* The Council recommends that staffing of posts located in delegations and dealing with aid management should reflect the importance of development policy and assistance within EU external relations in line with the Treaty of Lisbon.

**Commission's response:**

*The Commission is taking the requested action. In line with the Treaty of Lisbon and following the Communication "Increasing the Impact of EU Development Policy: an Agenda for Change" the Commission launched in 2011 a workload assessment and workforce rebalancing exercise covering Commission human resources in Delegations. This exercise addresses both staff numbers and the adequacy of human resources in terms of expertise, with a view to maximising the cost effectiveness of available resources by pooling expertise where appropriate as well as reviewing staff profiles, taking into account the zero growth context currently affecting Commission human resources and foreseen decrease of staffing levels in the future. The report on the use of Commission resources in the EU Delegations has been submitted to the Secretary General on 12/03/2012 and presented to the Commissioner's Group on External Relations. The conclusions*

*will be submitted for Commission approval in the course of the summer of 2012. The bulk of conclusions including the rebalancing exercise will be implemented as of the second half of 2012 and in 2013.*

67. *(Council report 6081/12 ADD 2, Annex 9, paragraph 6b, page 26)* The Council recommends that the Commission, in cooperation with the EEAS and Member States, should analyse and improve the expertise of staff located in delegations, notably concerning the skills for managing budget support. To realise the potential benefits of such aid modality, adequate expertise is required in specific sectors, including health and education where relevant, and in macroeconomics and public finance management as well as appropriate skills to conduct policy dialogue. In order to strengthen support to relevant personnel located in delegations in this regard the Commission should furthermore develop improved guidance for policy dialogue.

**Commission's response:**

*The Commission is taking the requested action.*

*In order to implement the new development and budget support policy in the most efficient and cost effective way, the Commission, in agreement with the EEAS, intends to create regional hubs for budget support and thematic expertise which will support the work of all Delegations in the region.*

*Moreover, a mapping of expertise of DEVCO staff in Delegations has been launched in June 2012. The objective of this exercise is to make an inventory of DEVCO expertise available in the field and identify skills gaps. It is essential to ensure that we have the right capacities at the right place at the right time. The results will enable us to better match the staff and posts and maximize professional development.*

68. *(Council report 6081/12 ADD 2, Annex 9, paragraph 6c, page 26)* The Council recommends that the Commission and the EEAS should make further efforts to reduce the number of areas of intervention in which they are actively involved, in particular through closer coordination with EU Member States as outlined in the EU Code of Conduct on

Complementarity and Division of Labour in Development Policy. The Court points out that the aid managed in individual delegations continues to cover a wide range of areas, which puts further pressure on resources located in delegations. The Council stresses the importance of ensuring that human resources with the appropriate expertise are available to ensure high quality of such aid interventions in line with the objectives of the EU development policy and the wider EU external relations.

**Commission's response:**

*The Commission is taking the requested action.*

*The new policy framework ""Agenda for Change"" includes recommendations regarding the concentration of EU activities in each country on a maximum of three sectors. The rebalancing of staff subsequent of the workload assessment*



***combined with the mapping of expertise and the rotation exercise will ensure that the right person with the right qualifications and expertise is at the right place.***

69. (Council report 6081/12 ADD 2, Annex 9, paragraph 6d, page 26) The Council calls on the EEAS and the Commission to analyse and assess the possibility for devolving more responsibilities to the personnel located in delegations in line with existing aid effectiveness principles.

**Commission's response:**

***The Commission will not be taking the requested action. The reason is that the Commission needs to ensure that there is a right balance of responsibilities between Delegations and Headquarters taking into account the budgetary constraints and the global coherence of external action both at headquarters and in the field.***

70. (Council report 6081/12 ADD 2, Annex 9, paragraph 6e, page 26) The council recommends that with a view to achieving the optimal balance between staff working on aid and other functions such as political and trade matters, the Commission and the EEAS should analyse the allocation and use of human resources in delegation.

**Commission's response:**

***The Commission is taking the requested action.***

***Following the Commission workload assessment in Delegations, the report on the use of Commission resources in EU Delegations has been addressed to the Secretary General. The recommendations, including redeployment proposals to achieve optimal balance, will be submitted for Commission approval during the summer 2012. Besides that exercise, the EEAS intends to proceed with a workload assessment of its staff in Delegations.***

71. (Council report 6081/12 ADD 2, Annex 9, paragraph 8, page 27) The Council recommends that the Commission should strengthen monitoring, reporting and evaluation by focusing the internal and external reporting system more on the results achieved while continuing efforts to build the necessary human capacities to deliver high levels of aid effectiveness. Delegations or headquarters should use independent assessments of a statistically robust sample of completed aid interventions in order to establish quantifiable and qualitative data of achieved results of interventions across regions, sectors and types of aid modalities.

**Commission's response:**

***The Commission is committed to strengthening the internal accountability and allocation of responsibilities, both at headquarters and in the delegations. As a result it proposed the Control Pyramid Action Plan which substantiated among others, the accountability through improved reporting systems on the quality of implementation of aid programmes. The "Control Pyramid" itself refers to the system of reporting from the field level all the way up to the Director General. The foundation of this pyramid is the delegations' External Assistance Management Reports (EAMRs). This tool includes a set of meaningful key performance***

*indicators, including quantifiable data on the outcome of controls. Test are ongoing on how to best aggregate the results of the EAMR indicators (at the different levels: region, thematic programme, instrument, etc) and to what extent they can or should be integrated into other control pyramid reports.*

72. *(Council report 6081/12 ADD 2, Annex 9, paragraph 9, page 27)* The Council invites the Commission and the EEAS, in close cooperation with the Member States, to proceed rapidly with operationalising the new system of division of tasks between the Commission and the EEAS and to ensure that it contributes to increasing the quality of aid management and the achievement of development results.

**Commission's response:**

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

**Special report 2/2011 "Follow-up of special report no 1/2005 concerning the management of the European Anti-fraud Office"**

73. *(Council report 6081/12 ADD 2, Annex 10, paragraph 6, page 29)* The Council calls on the Office to step up efforts in order to improve its planning and optimise the use of its resources and tools. In this respect, the Council welcomes the introduction of a de minimis approach for external investigations and supports the application of a similar policy to internal investigations, allowing for a larger focus on more serious and complex cases, especially in areas where the risk of fraud is higher. The council invites the commission to report back in due time on the progress made.

**Commission's response:**

*Since 1 February 2012, in line with the Investigation Policy Priorities (IPP) the case selection has to include a forecast of the manpower and other costs needed for the investigation. In addition, new Instructions to Staff on Investigative Procedures include a requirement that the principles of proportionality, efficient use of resources and subsidiarity are met. These criteria will be applied in the selection process together with any relevant special policy objectives and possible financial impact.*

74. *(Council report 6081/12 ADD 2, Annex 10, paragraph 7, page 29)* The Council insists on the need that the Office, taking into account the different types of inquiries and their specific nature, continues to set targets for their duration and that it closely monitors long and complex investigations, ensuring that timely and appropriate measures are further taken to prevent delays. The council invites the commission to report back in due time on the progress made.

**Commission's response:**

*It should be noted that, in the framework of the OLAF re-organisation, a dedicated horizontal Investigation Selection and Review Unit was established from 1 February 2012.*

*The following measures have been taken:*

*\* streamlining of the case selection phase, which is now performed by the Investigation Selection and Review Unit on the basis of a coherent set of selection criteria;*

*\* two month deadline for decision on opening or not opening an investigation set in the new Instructions to Staff applicable as from 1/02/2012 (this deadline is also envisaged in Art.5(4) of the amended proposal for amending Regulation 1073/1999);*

*\* The new OLAF investigation procedures provide for a streamlined investigation process including:*

*- the establishment of integrated investigative units having staff with legal expertise to ensure continuous legal examination throughout the investigation*

*lifecycle; early cooperation with national judicial authorities to ensure a better outcome at national level;*

*- verification of the legality of all major investigative acts by the Investigation Selection and Review Unit;*

*- additional scrutiny of Final Report and Recommendations by the Investigation Selection and Review Unit,*

*The Management Plan of OLAF sets targets for the gradual reduction in the duration of investigations for the coming years: 22 months in 2012, 21 months in 2013 and 20 months in 2014.*

75. *(Council report 6081/12 ADD 2, Annex 10, paragraph 9, page 29)* The Office should further enhance its investigative function, by allocating more of its existing resources to it. The council invites the commission to report back in due time on the progress made.

**Commission's response:**

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

76. *(Council report 6081/12 ADD 2, Annex 10, paragraph 13, page 30)* The Council expects that the role of the Supervisory Committee will be further clarified in the context of the amendment of Regulation (EC) No 1073/1999.

**Commission's response:**

*The role of the OLAF Supervisory Committee will be clarified as part of the revision of Regulation 1073/1999 which is expected to be concluded later this year.*

**Special report 3/2011 "The efficiency and effectiveness of EU contributions channelled through United Nations Organisations in conflict-affected countries"**

77. *(Council report 6081/12 ADD 2, Annex 11, paragraph 5a, page 32)* The interventions funded by the Commission should include:
- objectives which are well adapted to the specific circumstances;
  - quantified indicators to measure the achievement of these objectives
  - a realistic timeframe.

**Commission's response:**

*DEVCO is currently updating the programme and project cycle management guidelines which place a strong emphasis on objectives being adapted to country and sector context. Sequencing of operations to ensure realistic objectives within a given time frame will be introduced. Finally, this will include also the updating of the monitoring guidance.*

78. *(Council report 6081/12 ADD 2, Annex 11, paragraph 5b, page 32)* The reporting on funded activities should be further improved in order to enable the Commission to monitor and assess the effectiveness and efficiency of the projects financed, on a timely basis.

**Commission's response:**

*In the framework of the External Assistance Management Report (EAMR), the Delegations are requested to complete, twice a year, a self-assessment of the efficiency and effectiveness of their projects. Moreover, for those projects which are subject to the Result-Oriented Monitoring (ROM), the criteria of efficiency and effectiveness are examined in detail by an external expert.*

79. *(Council report 6081/12 ADD 2, Annex 11, paragraph 5c, page 32)* A systematic assessment of the efficiency of funded projects should be carried out and benchmarks should be developed for standard costs where feasible, recognising the difficulty in developing benchmarks in conflict-affected countries.

**Commission's response:**

*The Commission accepts this request. Assessments of the efficiency of projects are made as part of a systematic approach taken within the framework of the Results Oriented Monitoring (ROM) by external evaluators. On the other hand, cost comparisons are difficult in various countries, and are even more challenging in a conflict-affected environment. Cost categories may vary significantly between the regions of one single country and over time. Therefore it is not considered feasible to develop benchmarks for common cost items.*

80. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8a, page 33)* The Council invites the Commission to continue to work closely with UN organisations in difficult environments including post-crisis situations and conflict-affected countries as reflected in the relevant external policies of the European Union, including the European Consensus on Development and the European Consensus on Humanitarian Aid.

**Commission's response:**

*The UN is a key partner for the Commission. Working with the UN allows the Commission to intervene in situations from which the EU might otherwise be absent, such as situations where cooperation has been interrupted, conflict affected situations, post conflict- recovery, or where the legitimacy, specialist mandate or neutrality of the UN are needed. The Commission can thus contribute to larger initiatives, both financially and through the governance structures in place, ensuring that the EU always has a say, both at a policy and programme management level. Moreover, the Commission has now increased its coordination and dialogue with the UN's Bureau for Crisis Prevention & Recovery (BCPR) with a specific focus on fragile/crisis affected countries. Regular exchanges take place to facilitate joint EU-UN approaches to fragility – within the context of the Agenda for Change and the New Deal for Engagement with Fragile States – specifically focusing on key Peace and Statebuilding Goals.*

81. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8b, page 33)* The Council invites the Commission to improve the coordination and dialogue between the EU and UN at country level, in the spirit of the UN Delivering as One Initiative.

**Commission's response:**

*The Commission considers that the UN system should fully participate in country led donor coordination in the spirit of the Busan Global Partnership. The Commission agrees that improving coordination and dialogue with the UN at country level in the spirit of the DaO (Delivering as One) initiative has the potential to have a positive impact on the effectiveness of the UN system and on the use of EU funds channelled through the UN. However, it should be noted that the DaO pilot countries are essentially stable rather than conflict-affected countries and the DaO has not yet been extended to such countries. Improved cooperation and dialogue with the UN may be able to enhance the impact of the instructions already issued by the Commission concerning due concern for value for money (ECA SR 3/2011 Reply of the Commission, Executive Summary II, page 38) The Commission has continuous cooperation and dialogue with the UN Agencies, Funds and Programmes between our respective headquarters and inform our respective country offices about this, encouraging them to further develop their extensive on-going policy and operational collaboration. Our delegations cooperate with the UN offices in the Delivering as One pilot countries and we would welcome an extension of this initiative to all developing countries as it could bring about more positive impacts and enhance consistency. The EU has participated in the DaO High-Level Conferences at which we have demonstrated our support to the UN's internal coherence exercise by actively supporting and*

*promoting reform initiatives at political level. Furthermore our delegations in the eight pilot countries (Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Vietnam) have provided the necessary input to the DaO independent evaluation report. The European Commission and some of the UN bodies have been engaged in strategic partnerships since 2004. Those partnerships are regularly reviewed (e.g . the partnership with the UNDP) to improve our cooperation in areas of common interest. The strength of our collaboration resides at country level where both organisations have enhanced their cooperation based on the comparative advantages developed over the years.*

82. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8c, page 33)* The Council invites the Commission to ensure that all UN reports required under contractual arrangements arrive within the set deadlines, are result-oriented and of high quality.

**Commission's response:**

*The reporting guidelines agreed between the Commission and the UN endorsed in April 2012 address the question of reporting deadlines and also the quality of reporting. Whereas follow-up can always be improved, the control and monitoring systems in place are already comprehensive. Release of interim and final payments are dependent on approval by the Commission of the respective reports. In addition, detailed follow-up on all programmes financed by the Commission takes place through the twice yearly External Assistance Management Reports.*

83. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8d, page 33)* The Council invites the Commission to identify the lessons learnt for future interventions having special regard to the aspect of sustainability.

**Commission's response:**

*DEVCO is currently reviewing the quality support group that reviews all operations, the instructions for the completion of the identification fiche stress the importance of learning the lessons from past interventions as well as ongoing operations.*

84. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8e, page 34)* The Council invites the Commission to encourage a wide range of implementing partners and proactive use of existing procedures applicable to crisis situations allowed by the Financial Regulation to ensure maximum results on the ground.

**Commission's response:**

*The Guidelines for crisis situations have been improved with additional chapters which describe practical case studies and give additional explanations on the programming and the implementation modalities.*

85. *(Council report 6081/12 ADD 2, Annex 11, paragraph 8f, page 34)* The Council invites the Commission to ensure that EU visibility is maintained regardless of the channel and implementing partner used when intervening in post-crisis and conflict-affected countries.

**Commission's response:**

*Generally the Commission places great emphasis on visibility, particularly with regard to fragile states. Visibility rules apply in all contexts. With regard to Multi Donor Trust Funds (see ECA report 2011) the Commission makes great efforts to rationalise its use of this type of instrument. Given the possibilities offered by the European Union Trust Funds, in the future, the new Financial Regulation should allow an increase in visibility. In addition, the Commission continues to support Civil Society and other local development organisations via actions which often allow the European Union to have very good local visibility, which other institutional partners do not necessarily provide. Consequently, on 21 June 2012 the Commission organised a workshop on 'fragile situations' with the participation of Civil Society organisations, local authorities and the European Parliament.*

86. (Council report 6081/12 ADD 2, Annex 11, paragraph 8g, page 33.) The Council invites the Commission to enhance its capacity to follow up EU funding activities in the field also in the conflict-affected countries where feasible.

**Commission's response:**

*The follow-up and evaluation of actions in 'fragile/post conflict' situations are specific subjects of discussion within DEVCO. The discussion is based mainly on the results of the evaluation entitled "GUIDANCE ON EVALUATING CONFLICT PREVENTION AND PEACEBUILDING ACTIVITIES" as well as on the on going work within the International Conflict and Fragility Network and the International Dialogue on Peace and State building-(notably on the indicators linked to "Peace consolidation and state reinforcement objectives" in the context of the "New Deal" endorsed to Busan).*



**Special report 4/2011 "The audit of the SME Guarantee facility"**

87. *(Council report 6081/12 ADD 2, Annex 12, paragraph 5, page 38)* The Council invites the Commission to take into account, where appropriate, the Court's recommendations (of SR 4/2011) and other evaluation results in designing the potential successor facility.

**Commission's response:**

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

**Special report 6/2011 "Were ERDF co-financed tourism projects effective?"**

88. *(Council report 6081/12 ADD 2, Annex 14, paragraph 7, page 41)* The Council takes note of the administrative burdens incurred by the ERDF contribution to tourism projects, and calls upon the Commission and Member States to pursue their efforts to simplify implementation of the cohesion policy projects, including those in the tourism sector, while ensuring their effectiveness and sustainability.

**Commission's response:**

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

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

**Special report 9/2011 "Have the e-Government projects supported by ERDF been effective?"**

89. *(Council report 6081/12 ADD 2, Annex 17, paragraph 5, page 46)* The Council encourages the Commission and Member States to continue monitoring and evaluation of the implementation of e-Government projects in the current programming period with a view to preparing and optimising the operational programmes for the next programming period, starting in 2014.

**Commission's response:**

*In terms of preparing the post 2013 programmes a Common Strategic Framework is proposed by the Commission for the post-2013 period to provide strategic guidance on EU priorities for intervention. Under the relevant thematic objective, the "Elements for a strategic framework 2014-2020" (SWD(2012)61 of 14.3.2012) underline the importance of investments in ICT applications in terms of their use in tackling key societal challenges. Action in this field should aim to "enhance efficiency of public administrations".*

*Under shared management primary responsibility for selection, implementation, monitoring and evaluation of co-financed projects lies with national and regional authorities. While the Commission evaluates implementation progress overall ([http://ec.europa.eu/regional\\_policy/information/evaluations/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/information/evaluations/index_en.cfm#1)) it does not currently plan an evaluation of the specific sector of e-administration in government.*

*More widely the e-Government Action Plan 2011-2015 is being implemented with the involvement of all Member States. In the context of its implementation there is systematic monitoring of progress of all 40 actions defined in it. The mid-term review of the Action Plan will take place in 2013 and the results will be published end 2013.*

*There is also close exchange of experience and important lessons learned among the e-Government community (including project promoters of SF beneficiary projects) in the EU through the e-Practice application (<http://www.epractice.eu/>). The e-Practice community now includes more than 100.000 members while it analyses and presents about 1.600 projects.*

## Requests concerning the executive agencies

90. *(Council Doc. 6084/12 ADD 1, Annex to Annex 2, 2nd paragraph, page 6)*  
Executive Agency for Competitiveness and Innovation: the Council notes with concern that staff expenditure was overestimated by approximately 16% and that the excess funds were transferred to operating expenditure. The Council urges the Executive Agency for Competitiveness and Innovation and the Commission to apply a more realistic approach when planning the budget.

**Commission's response:**

*When preparing the Draft Budget, the Commission makes a rigorous assessment of each agency's needs, in terms of EU contribution and staffing levels. As a result, in the 2013 DB the Commission proposes a stabilisation of the overall level of EU contributions to the agencies, whereas a large number of individual agencies see their budgets frozen at the level of 2012, or even reduced, as the Parliament requests.*

*The Commission performs its role of guidance and supervision in particular through the Commission representative(s) in agencies' Boards. For more general governance issues, please refer to the work of the Inter-Institutional Working Group on agencies.*

## Requests concerning the bodies set up by the European Union

91. *(Council Doc. 6083/12 ADD 1, Annex to Annex 22, 2nd paragraph, page 63)*  
European Chemicals Agency: the Council invites the Commission and the European Chemicals Agency to present proposals for a revision of the Financial Regulation in order to include a mechanism for retaining and managing surplus own revenue to finance the Agency's future activities.

### Commission's response:

*According to Article 185(1) of the general Financial Regulation, the Commission recalls that the revision of the Framework Financial Regulation of decentralised EU agencies falls under its sole responsibility. The Commission will retain this responsibility under article 200(1) of the new Financial Regulation, according to which it will be empowered to adopt the next Framework Financial Regulation.*

*The revision of the Framework Financial Regulation of decentralised EU agencies will start, once the new general Financial Regulation has been adopted.*

*At the same time and following the endorsement by Commission, Council and European Parliament of the "Common Approach on decentralised agencies between the European Parliament, the Council of the EU and the Commission", the Commission will prepare a roadmap on the follow-up to the Common Approach with concrete timetables for the planned initiatives. This Common Approach states that "for partially self-financed agencies, [...] the Commission will investigate the necessity and possible modalities of creating a limited ring-fenced reserve fund to be operated in a transparent way".*