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

on the follow-up to 2012 discharge - Replies to requests from the European Parliament

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TABLE OF CONTENTS

INTRODUCTION.....	4
European Parliament resolutions on 2012 discharge	5
Agricultural and Regional Policy: Deficiencies in the Commission's and Member States' management	6
Commission's Reservations, reasons for binding commitments	11
Binding commitments to be made	18
The Court of Auditors' Statement of Assurance	35
Revenue	41
Agriculture	44
Regional Policy, Energy and Transport.....	55
Commission Task Force for Greece	63
Employment and social affairs	64
External relations	70
Research and other internal policies	73
OLAF	75
Tobacco smuggling.....	81
Absence of progress in Bulgaria.....	83
Roma	84
IT policies	86
Studies and advice/consultation from external providers.....	88
Getting results from the EU budget.....	89
SR 8/2012 Targeting of aid for the modernisation of agricultural holdings.....	90
SR 11/2012 Suckler cow and ewe and goat direct aids under partial implementation of SPS arrangements	92
SR 13/2012 European Union development assistance for drinking water supply and basic sanitation in sub-Saharan countries	94
SR 14/2012 Implementation of EU hygiene legislation in slaughterhouses of countries that joined the EU since 2004.....	95
SR 15/2012 Management of conflict of interest in selected EU agencies.....	96
SR 16/2012 The effectiveness of the Single Area Payment Scheme as a transitional system for supporting farmers in the new Member States	98
SR 17/2012 The European Development Fund (EDF) contribution to a sustainable road network in sub-Saharan Africa	100
SR 18/2012 European Union Assistance to Kosovo related to the rule of law	102

SR 20/2012 Is Structural measures funding for municipal waste management infrastructure projects effective in helping Member States achieve EU waste policy objectives?	103
SR 21/2012 Cost-effectiveness of Cohesion Policy Investments in Energy	105
SR 22/2012 Do the European Integration Fund and European Refugee Fund contribute effectively to the integration of third-country nationals?	106
SR 23/2012 Have EU Structural Measures successfully supported the regeneration of industrial and military brownfield sites?	108
SR 24/2012 The European Union Solidarity Fund's response to the 2009 Abruzzi earthquake: The relevance and cost of operations	109
SR 25/2012 Are tools in place to monitor the effectiveness of European Social Fund spending on older workers?	110
SR 1/2013 Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products?	111
SR 2/2013 Has the Commission ensured efficient implementation of the Seventh Framework Programme for Research?	114
SR 3/2013 Have the Marco Polo programmes been effective in shifting traffic off the road?	116
SR 4/2013 EU Cooperation with Egypt in the Field of Governance	120
SR 5/2013 Are EU Cohesion Policy funds well spent on roads?	121
SR 6/2013 Have the Member States and the Commission achieved value for money with the measures for diversifying the rural economy?	123
SR 7/2013 Has the European Globalisation Adjustment Fund delivered EU added value in re-integrating redundant workers?	127
SR 8/2013 Support for the Improvement of the economic value of forests from the European Agricultural Fund for Rural Development	129
SR 9/2013 EU support for governance in the Democratic Republic of the Congo	131
SR 10/2013 Common Agricultural Policy: Is the specific support provided under Article 68 of Council Regulation (EC) No 73/2009 well designed and implemented?	136
SR 12/2013 Can the Commission and Member States show that the EU budget allocated to the rural development policy is well spent?	139
SR 14/2013 European Union direct financial support to the Palestinian Authority	143
Eighth, ninth and tenth European Development Funds	148
Performance, financial management and control of EU agencies	162
Bodies set up under the TFEU and the Euratom Treaty	168

INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to the 2012 Discharge. It presents in detail the answers to 353 specific requests made by the European Parliament in its Resolutions forming an integral part of its Decisions on the 2012 Discharge¹.

¹ 2012 General Budget Discharge, ECA' Special Reports in the context of the Commission Discharge, EDF Discharge, Agencies Discharge. Document references P7_TA(2014)0287, P7_TA-PROV(2014)0288), P7_TA-PROV(2014)0290 and P7_TA-PROV(2014)0299) respectively available at the following Web address:
<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=20140403&secondRef=TOC&language=en>

European Parliament resolutions on 2012 discharge

Agricultural and Regional Policy: Deficiencies in the Commission's and Member States' management

1. (§1 - 2012/PAR/0298) The Parliament calls on the Commission, in light of repeated error concentration in a few Member States, to assume greater and more substantial responsibility for safeguarding the Union budget against financial losses.

Commission's response:

In his letter to the Discharge Rapporteur, Mr Pieper, and the Chairman of CONT, Mr Theurer, on 10 March 2014 (ARES(2014)s:443707), Commissioner Semeta has outlined the salient points of the measures to assume greater and more substantial responsibility for safeguarding the Union budget against financial losses:

- 1) the adoption and implementation of delegated acts governing areas under shared management in which the systematic application of net financial corrections will be further strengthened;*
- 2) the clear identification of Member States with serious system deficiencies and the implementation of the Commission's multi-annual audit strategy through on-the-spot re-performance work of national audit authorities controls, including at the level of beneficiaries and the direct audit of programmes or authorities assessed by the EC as not sufficiently addressing the high risks identified;*
- 3) addressing the detected problems through action plans and extensive reservations in the DGs' Annual Activity Reports;*
- 4) reinforced supervision and controls of Member States through intensified quality checks of national control and audit reports, audits of national authorities and final recipients, effective and timely interruptions and suspensions of payments as immediate response to detected weaknesses and effective procedures for net financial corrections.*

The EC commits itself to regularly reporting on the implementation of these measures.

Furthermore, new additional protective instruments will be introduced during the coming 2014-2020 programming period. The Commission is actively promoting the use of simplified cost options:

- Simplified cost options reduce the administrative burden for the public administration and for beneficiaries.*
- The European Court of Auditors did not for the DAS 2012 find any error in the 26% of ESF operations using these simplified options, whilst for the rest, the frequency of errors (big or small) was about 40%.*
- Projects using simplified cost options place a greater focus on results and performance, as opposed to inputs.*

The formal certification of annual accounts once all national controls have been done, combined with the 10% retention mechanism on interim payments, net corrections when serious irregularities are detected once accounts have been accepted and the requirement of annual management declarations by managing authorities are meant to offset the risk that expenditure claimed are not legal and regular and to improve accountability at national level.

2. (§3 - 2012/PAR/0299) The Parliament calls, therefore [in the 2012 financial year the error rate rose for the third time in succession], on the Commission to apply Article 32(5) of the Financial Regulation (EU, Euratom) No 966/2012 more strictly in case of a persistently high level of error, and consequently to identify the weaknesses in the control systems and take or propose appropriate action in terms of the possible simplification, the further strengthening of control systems and the redesign of programmes or delivery systems

Commission's response:

See reply to § 2012/PAR/0298.

Moreover, the Commission services have maintained in the Cohesion area their vigilance, since interruptions and suspensions of payments are a useful preventive tool for the proper spending of the EU funds. In 2013, the Commission opened 265 interruption cases (2012: 116) with a value of almost EUR 5 billion.

3. (§4 - 2012/PAR/0300) The Parliament urges all relevant actors involved in Union decision-making to simplify further, notably by drafting eligibility rules that are simple and verifiable, cutting red tape and devising appropriate and effective controls.

Commission's response:

The Commission notes that under shared management, Member States draft the eligibility rules for programmes, within the limits set out in the Fund-specific Regulations.

As far as the Commission's competence is concerned, it has taken the recommended action. Key elements of the 2014-2020 reform emphasize on simplification, particularly for Member States.

The 2014-2020 framework contributes to cutting red tape and simplifying the use of EU Funds. A common set of rules for all European Structural and Investment Funds (ESIF) simplifies management particularly for beneficiaries who implement operations under more than one Fund. Synergies with other EU policies rules (e.g. research) are also foreseen.

From 2014 onwards, audit and control in the ERDF, ESF and the Cohesion Fund will be more proportionate to both the amount of funds that are actually received and also to the possible level of risk that investment could be misused or incorrectly spent. Commission audit work will be focused on the more risk-prone areas. In the case of well performing audit authorities, the Commission will limit its audits where national delivery systems work well. Proportional control rules will exclude repetition of audits by EU and national audit bodies to the same operations, except for the purpose of commission re-performance to test the work of audit authorities.

The wider use of simplified costs options within ESIF is encouraged, which enables to simplify financial management of operations while shifting the focus of beneficiaries on the delivery of quality outputs and results.

With simpler and clearer rules, legal certainty for beneficiaries will be reinforced, and with increased proportionality for small programmes and operations, their administrative burden will be adjusted to a lower level of risk. More targeted reporting requirements are defined, as reporting is focused on key indicators and

hard data on progress made on the ground, and a requirement for electronic information exchange with beneficiaries by the end of 2015 under cohesion policy ("e-cohesion") has been set.

Furthermore, proportionality and reduction of the administrative burden are amongst the general principles regulating the intervention of the ESIF under the 2014-2020 programming period as set out in Article 4 of the Common Provisions Regulation.

The main tool to simplify and to streamline national eligibility rules is the use of Simplified Cost options (SCOs). In November 2013 the Commission produced a report on "Simplification and gold-plating in the ESF" identifying the main sources of error due to unnecessary complicated national eligibility rules and addressing some recommendations to the Member States, based in particular on the use of SCOs.

The use of SCOs is particularly suitable for the type of expenditures reimbursed in ESF projects. The Commission actively promoted their use through seminars which were held by DG EMPL in all MS and also by introducing provisions in the 2014-2020 Structural Funds Regulation which will strengthen and encourage their use. This will enable simplifying financial management of operations while shifting the focus of beneficiaries to the delivery of quality outputs and results. The Commission also regularly invites the managing authorities to address guidance to beneficiaries on eligibility issues. The Commission fixed as a target the use of SCOs to go up to +/- 50% of ESF transactions by 2017.

Under the EAFRD, the new obligation to conduct an ex-ante assessment of the verifiability and controllability of rural development measures will further support the establishment of simpler and better targeted programmes, which are easier to control and implement.

With regards to the EAGF, the CAP reform 2014-2020 provides a framework for setting up direct payment schemes which are both effective and controllable. The reform package also includes delegated and implementing legislation related to the Integrated Administration and Control System (IACS). Although under the shared management system it is up to MS to set up appropriate administration and control structures to ensure that funds are correctly spent and to define clear rules and procedures for beneficiaries, the Commission actively supports MS in the implementation of direct payments also by providing detailed guidance documents, dissemination of best practices among MS, organisation of expert seminars and other means.

4. (§5 - 2012/PAR/0301) The Parliament urges the Commission therefore [eight Member States are responsible for 90 % of the financial corrections in the fields under shared management] to direct its particular attention to those countries.

Commission's response:

The Commission has taken the recommended action. In the area of Regional and urban policy, in addition to the enquiry to review the audit authorities' work, in some cases the Commission may identify that certain deficiencies could remain undetected or not timely detected, which could jeopardise the assurance process (assurance gap). The scope of such audits is to "Bridge the assurance gap" and to cover high risk operational programmes and part of operational programmes. Audits are mainly focused on the reliability of management verifications at the

level of the managing authorities/intermediary bodies (59% of these risk-based audits), and to a lesser extent on selection of operations, corrective capacity of the managing authority, certification of expenditure by the certifying authority, and on the audit of high risk operations not yet audited by the national audit authority. A total of 77 audit missions have been carried out since 2010 covering 15 Member States and 70 operational programmes, including at the level of beneficiaries (see DG REGIO Annual Activity Report 2013, page 41 and Annex 8).

As a result of the 77 audits carried out, the impact on payments has been that for 58 programmes, payments have been interrupted or (pre)suspended or warning letters have been sent to prevent declaration of irregular expenditure. This demonstrates that the enquiry has enabled DG REGIO to effectively address previous years' discharge request that it should systematically interrupt and suspend payments to the programmes when serious deficiencies are identified in management verifications. In such cases, as recommended by the Discharge authority, payments have been resumed in 2013 only where there was sufficient and reliable evidence that weaknesses had been remedied. The audit enquiry "Bridging the assurance gap" has proven to be a pro-active response to increase the assurance.

The implementation of preventive and corrective measures such as remedial actions plans, interruptions and financial corrections has led to improvements in the systems of programmes put under reservation, ensuring that past and future expenditure declared to the Commission is legal and regular. The same approach will be implemented to address and follow-up the reservations in the 2013 Annual Activity report of the Directorate General for Regional and Urban Policy.

In the area of Employment and Social affairs DG EMPL's audit strategy aims to provide reasonable assurance that the management and control systems established by Member States comply with the requirements of the regulations and are functioning effectively.

In 2013, 70 missions have been performed by EMPL auditors for the ESF 2007-2013 programming period focusing on three main issues:

- the enquiry related to the ACR re-performance, which is the key element to give the assurance to DG EMPL that the results of the ACRs from the AAs are reliable;*
- audit of programmes put in reservation in the 2012 AAR; In 2013, for 24 out of 27, programmes in reservation an audit mission was planned; Depending on the issues linked to each programme, the missions were a fact-finding, a follow-up, a system and projects audit or a review of the AA;*
- a thematic audit on management verifications, following the European Court of Auditors annual report's findings that in the area of Employment and Social Affairs 76 % and 67 % of the errors detected in 2011 and in 2012 respectively, should have been detected by the Managing Authorities, through their first level checks ; DG EMPL audit plan in 2013 included 8 missions for this specific thematic audit on Management Verifications; A report on the results of these audits including recommendations addressed to Member States to improve their management verifications, was sent to the EP in November 2013.*

On the preventive side, as recognized by the ECA in its 2012 Annual report, the main tool to simplify and to streamline national eligibility rules is the use of Simplified Cost options (SCOs). In its audits on ESF the Court did not detect any

error related to the use of SCOs (6.23) and concluded that more extensive use of SCOs would have a positive impact on the error rate.

In November 2013 the Commission produced a report on "Simplification and gold-plating in the ESF" identifying the main sources of error due to unnecessary complicated national eligibility rules and addressing some recommendations to the Member States, based in particular on the use of SCOs.

The use of SCOs is particularly suitable for the type of expenditures reimbursed in ESF projects. The Commission actively promoted their use through seminars which were held by DG EMPL in all MS and also by introducing provisions in the 2014-2020 Structural Funds Regulation which will strengthen and encourage their use. This will enable simplifying financial management of operations while shifting the focus of beneficiaries on the delivery of quality outputs and results. The Commission also regularly invites the managing authorities to address guidance to beneficiaries on eligibility issues. The Commission fixed as a target the use of SCOs to go up to +-50% of ESF transactions by 2017.

DG AGRI audit activities are driven by a central risk analysis covering all CAP expenditure in all MS. Any predefined special focus on specific paying agencies would reduce the scope of the Commission's audit work.

5. (§8 - 2012/PAR/0302) The Parliament calls for a more detailed annual assessment of the situation [the situation regarding financial adjustments in the individual Member States] in each of them, indicating how much money could actually be channelled back into the Union budget.

Commission's response:

This will be included in the communication on the protection of the Union budget in September 2014.

6. (§15 - 2012/PAR/0303) The Parliament asks the Commission to submit without delay a proposal on limiting if not banning replacement projects all together.

Commission's response:

The regulatory framework for the 2014-2020 period, recently adopted in December 2013 provides for rules for net financial corrections. Legislative proposals for the 2021-2028 period will only be drafted after 2017.

Commission's Reservations, reasons for binding commitments

7. (§19 - 2012/PAR/0304) The Parliament urges all relevant actors involved in Union decision making to increase efficiency, notably by drafting eligibility rules that are simple and verifiable, by establishing clear rules and procedures for accessing the Union funds, by cutting red tape and by devising appropriate and cost effective controls.

Commission's response:

See reply §4 – 2012/PAR/300

8. (§21 - 2012/PAR/0305) The Parliament expects significant improvements in this regard [for years the majority of the errors identified by the Court of Auditors ought to be have been identified by the Member States themselves] in the funding period 2014-2020.

Commission's response:

The Commission has taken the recommended action and refers to the design of the delivery system for 2014-2020 programming period.

The key elements of the 2014-2020 reform are related to ensuring better spending and better programme governance to ensure a more error-safe environment. This will include increased result orientation and performance, ex-ante conditionalities to be fulfilled at the start of implementation for each programme, simplification, particularly for beneficiaries and harmonised and simplified eligibility rules.

The Common Provisions Regulation for the 2014-2020 programming period also contains reinforced control provisions and requirements compared to the 2007-2013 period that will improve the Member States' accountability so as to better address errors and ensure legality and regularity of co-financed expenditure each year before certifying the programme accounts to the Commission.

As regards the assessment of the first-level checks for 2007-2013 the Commission considers it is already carrying out such assessment since 2010 through targeted audits on high risk programmes in the frame of its audit enquiry "Bridging the assurance gap". Results of these risk-based audits by end 2013 were submitted to the European Parliament in the context of the 2012 Discharge and are presented in the AAR of DG Regional and Urban Policy (see page 41 and Annexe 8).

As regards agriculture, DG AGRI is currently implementing the requirement in the new Financial Regulation that the Certifying bodies have to issue an opinion on the legality and regularity of MS transactions. If correctly done, this new assurance model will reinforce the work of the Certifying bodies and provide the Commission with a much more reliable picture of the quality of MS control systems, including reported control statistics and error rates. In the meantime and as recommended by ECA, DG AGRI applies a new approach to estimate the residual error rates that takes into account all available information, notably audits from both DG AGRI and ECA in the last 3 years. The potential impact of the identified deficiencies on the error rate is estimated and added as a top-up to the error rate reported by the Member State concerned at the level of each paying agency, resulting in a more realistic and more precise estimate of the residual error rate. Applied to direct payments for the AAR 2012, the methodology has been further developed and extended to the whole CAP expenditure in the AAR 2013.

9. (§25 - 2012/PAR/0306) The Parliament deems it a priority that the Commission proves to Parliament in the case of reservations in which way convincing remedial measures have been taken to overcome the latter's concerns [reservation in areas for which it has not received adequate assurance from the Commission and/or the Court of Auditors to refute its concerns].

Commission's response:

The Commission services have maintained in the Cohesion area their vigilance, since interruptions and suspensions of payments are a useful preventive tool for the proper spending of the EU funds. In 2013, the Commission opened 265 interruption cases (2012: 116) with a value of almost EUR 5 billion.

For the ESF in 2013 alone 25 payment claims have been interrupted and 13 suspension cases handled.

Regarding the Regional and Cohesion Funds, cumulative financial corrections for the programming period 2000-2006, which is now in the closure phase, total about 7,2 billion euro. This corresponds to 3,7 % of the total contribution (197 billion euro).

For 2013 the total amount of financial corrections and recoveries implemented is 3.4 billion euro, which corresponds to 2,4 % of the payments made.

The average amount of financial corrections and recoveries implemented per year by the Commission during the period 2009 to 2012 was EUR 2.6 billion or 2% of the average amount of payments from the EU budget of EUR 127.2 billion.

For the CAP, a reservation is lifted only once the Commission has obtained reliable evidence that the weaknesses have been remedied through the implementation of appropriate actions by the MS, and assurance that the irregular expenditure declared in the past are or will be corrected (net financial corrections) under the conformity clearance procedure,. A reservation always goes hand in hand with a clear action plan to tackle the problem identified in the management of EU funds. The Commission follows up these reservations and the corresponding action plans by monitoring the progress of the underlying work to implement them.

In 2013 the Commission adopted 4 conformity clearance decisions in Agricultural area, covering 147 individual net financial corrections for a total amount of 1,1 billion EUR (2 % of the CAP expenditure budgeted for 2013). To be noted that the average amount of net financial corrections executed over the past three years for direct aid amount to 332 million EUR and for Rural Development to around 109 million EUR. Where undue payments are or can be identified as a result of conformity clearance procedures, MS are required to follow them up by recovery actions against the final beneficiaries. However, even where this is not possible, net financial corrections are an important means to induce Member States to improve their management and control systems and, thus, to prevent or detect and recover irregular payments from final beneficiaries. In 2013, the amounts recovered from beneficiaries amounted to 94 million EUR for direct aid and 98 million EUR for Rural Development.

10. (§29 - 2012/PAR/0307) The Parliament supports the Commission in its approach [concerning financial corrections], and calls for the systems to be improved in any way possible, including the provision of training to staff, in order to enhance their effectiveness and rapidity.

Commission's response:

The requested actions have been taken. The rules governing the conformity procedure, established in an implementing act were adopted on August 2014.

Under the Common Agricultural Policy (CAP) legal framework, net corrections have been applied since the first clearance of accounts decision in 1976 and will continue being applied for both European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD).

Any identified irregular expenditure or deficiency in the primary controls carried out by a Member State systematically triggers the opening of a conformity procedure that results, after a contradictory and a conciliation phase, in a proportionate and net financial correction that protects the EU budget against the identified risk. Every year the Commission adopts between 2 and 4 conformity clearance decisions on a package of individual financial corrections. In 2013 the Commission adopted 4 such decisions, covering 147 individual net financial corrections for a total amount of 1,1 billion EUR (2 % of the CAP expenditure budgeted for 2013).

The Commission continues its efforts to streamline the procedure for financial corrections.

Firstly, the new CAP Horizontal Regulation Reg. 1306/2013 (which was adopted by the European Parliament and the Council on 17 December 2013) describes more clearly the nature, scope and sequence of the successive steps. For instance, it establishes a clear demarcation between the contradictory phase, during which the Member State is responsible for providing all information (facts and arguments) that may contradict the initial findings of the Commission, and the conciliation phase during which only information made available in the previous steps of the conformity procedure may be considered. It also describes the three different types of financial corrections and the conditions for using them. For instance, flat rate corrections shall be applied in cases where the Member State has not provided to the Commission the information that would be necessary for to identify more precisely the financial damage to the Union.

Secondly, provisions in the delegated act set out more precisely the method and criteria for calculating the financial correction in due proportion to the risk of irregular expenditures. For instance more stringent rules and higher net financial corrections will apply where there are three or more different deficiencies in a control system. Commission guidelines will further detail the more technical elements.

Thirdly, the rules governing the conformity procedure, established in an implementing act to be formally adopted in July 2014, provide for mandatory deadlines for both the Commission and the Member States at each step of the conformity procedure. DG AGRI already implements a closer monitoring of the management of the procedural delays.

Finally, in order to enhance the effectiveness of the audit work carried out by DG AGRI an audit training program was incorporated in the DG AGRI's strategic training framework from 2013. This program includes, notably, actual certification of all auditors.

11. (§30 - 2012/PAR/0308) The Parliament would like to be informed on the total amount of the Union's subsidies, grants and other financial instruments that were spent in setting up and improving the LPIS system since the decision was taken, if possible divided by Member-State.

Commission's response:

This request would require doing an analysis of relevant EU expenditure going back to 1992 when IACS was put in place. The resources that would have to be deployed to obtain this figure would be disproportionate to the potential insights that could be gained from it.

However, what can be noted is that, since 2007, the amounts financed by the EAGF for the acquisition of satellite imagery for checks, which is also used for the Land Parcel Identification System (LPIS), are on average around EUR 6.5 million per year.

12. (§31 - 2012/PAR/0309) The Parliament calls on the Commission to offset the entire financial risk of such errors [errors detected in 2006 by the Court of Auditors in France and Portugal and confirmed by the Commission in 2008] in the Union budget through net corrections.

Commission's response:

The Commission is taking the requested actions, but it would like to emphasize that their accomplishment depends to a large extent on the progress made by the MS in addressing the deficiencies (for example through action plans).

The Court confirmed in its Annual Report 2008 that EAGF expenditure was free from material error (cf. paragraph 5.62). As regards the IACS, the Court reiterated that it "generally is an effective and control system for limiting the risk of irregular expenditure" (cf. paragraph 5.64).

The Commission has taken the following measures to address the deficiencies in the functioning of the national system in Portugal and France:

In Portugal: an action plan was launched in 2010 and reinforced in 2011. Audit missions carried out in 2013 confirmed that the action plan had been implemented and that the LPIS deficiencies had been addressed for claim year 2013. The results, in respect of the error rate, will be measurable by mid-2014 i.e. final payments for claim year 2013. While the deficiencies identified persevered for several years, the EU budget was protected via the conformity clearance procedures which ensured the claw back of over 100 million EUR in net financial corrections for the claim years 2006 to 2008. For the subsequent claim years, conformity clearance procedures are on-going in order to ensure that any undue expenditure is recovered:

- Claim years 2009-11: finalization of clearance procedure expected by end-2014;*
- Claim year 2012: finalization of clearance procedure expected by mid-2015.*

In France prior to 2008 no serious deficiencies were detected which would have merited a reservation, an action plan or significant financial corrections. As deficiencies were detected from 2008, a number of significant financial corrections have been proposed in respect of financial years 2008-2010 for which the clearance of accounts procedure is very advanced. Conformity procedures are also ongoing for the subsequent years. In addition, in the meantime (in 2013) an

ambitious and thorough action plan for France has been set up to cover the weaknesses in the LPIS, the controls of cross-compliance, and the controls for non-area coupled aids. A mission carried out in February 2014 showed that while the plan is on track, some intermediate commitments have not been met. Consequently, France has been requested to tackle these issues and at the same time a more detailed reporting has been requested so as to enable a more hands-on follow-up by DG AGRI.

13. (§32 - 2012/PAR/0310) The Parliament observes that the conformity clearance procedures take far too long to protect the Union budget effectively; regrets the administrative capacities that have been frozen for years and the loss in revenue and interest to the EU budget.

Commission's response:

The Commission has taken the requested actions to shorten the conformity procedure; however, it does not agree that the existing conformity procedure led to a loss in revenues and interest to the EU budget.

The conformity procedure (indispensable before making net financial corrections) requires certain steps to be applied in sequence as established in Regulation EC No 1306/2013. The contradictory phase constitutes the core part of a standard conformity clearance procedure; it aims at making it possible for the Member State to provide the Commission with any information that would contradict its initial findings. In addition, a conciliation phase might be requested by the Member State, in cases where the Member State does not agree with the conclusions of the Commission. These two phases aim at ensuring the right of the Member State to an actual contradictory process

However, in order to ensure that the conformity clearance procedure is concluded within a reasonable period of time, it is appropriate to lay down specific time-periods for the different stages of the procedure to be respected by the Commission and the Member State concerned. This is the reason why the rules governing the conformity procedure, established in an implementing act formally adopted on 6 August 2014, provide for mandatory deadlines for both the Commission and the Member States at each step of the conformity procedure. DG AGRI already implements a closer monitoring of the management of the procedural delays.

The protection of the EU budget is hence furthermore secured through the streamlined conformity procedure.

The Commission does not share the view that the delays of the conformity procedure lead to a loss in revenue and interest to the EU budget. The Commission systematically initiates a conformity clearance procedure if an audit reveals deficiencies in the functioning of the national control systems, in view of determining whether to impose a net financial correction. Financial corrections are systematically determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU budget. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation. Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU. Therefore, it cannot be concluded that delays at any step in the conformity procedure could possibly trigger a loss in revenue and interest to the EU budget.

14. (§33 - 2012/PAR/0311) The Parliament expects remedial action of the Commission to ensure that the absence of sufficient controls does not lead to unfair distortion of competition between organic and conventional farmers.

Commission's response:

The Commission is making constant efforts to reinforce controls on organic production and labelling of organic products, including through legal provisions.

Commission Regulation (EU) No 392/2013 of 29 April 2013, amending Regulation (EC) No 889/2008 with the implementing rules on controls, clarifies a number of terms that had led to diverging practices across Member States, establishes as from 1 January 2014 a minimum number of samples to be taken and analysed by the control authorities or control bodies, and sets out as from the same date specific requirements for the supervision of control bodies with a view to ensuring an enhanced application of the organic control system in the Union.

The Commission considered the need for further remedial action on the management and control system for organic production and labelling of organic products in its proposal for a Regulation of the European Parliament and of the Council on organic production and labelling of organic products, amending the Official controls Regulation and repealing Regulation (EC) No 834/2007, which has been adopted on 24 March 2014.

15. (§38 - 2012/PAR/0312) The Parliament observes that the Commission does not conduct enough random sample audits of its own at national management authorities and final beneficiaries.

Commission's response:

The Commission disagrees with the observation. It carries out its own audits directly at the level of the risky managing authorities/intermediate bodies and beneficiaries. A summary report on the results of the 77 audits carried out since November 2010 until end 2013 covering 15 Member States and 7 Regions in Italy for around 70 operational programmes considered by REGIO as at risk was sent to the rapporteur in December 2013. Almost all these audits have led to action plans and payment interruptions by DG REGIO. Between 2009 and 2013, DG EMPL has carried out 87 system audits focused on riskiest OPs and in significant number of cases these have led to interruption/suspension procedures as disclosed in EMPL AAR.

See also reply to 2012/PAR/0301.

16. (§39, 2nd indent - 2012/PAR/0313) The Commission must perform more audits of final beneficiaries and authorising authorities in year 'n' in Member States where shortcomings have been found in administrative and audit systems in year 'n-1'.

Commission's response:

The Commission has taken the recommended action and included in its audit strategy for cohesion policy focused and risk-based audits enquiries to tackle shortcomings at the level of managing authorities.

See reply § 5 – 2012/PAR/301

17. (§39, 3rd indent - 2012/PAR/0314) The Commission must commit itself to audit all operational programmes at least once in the course of the programming period.

Commission's response:

The request is not in line with the concepts of single audit, cost-efficiency in the use of limited audit resources and the rapporteur's request and objective to target Commission's audits to risky programmes, as we currently do. The single audit approach as proposed by the ECA since 2004 allows the Commission to have audit results and opinions for each programme every year as from the start of the programming period. The Commission has to ensure that audit authorities' work is reliable.

18. (§39, 4th indent - 2012/PAR/0315) The Commission must report in time for the 2013 discharge procedure on the operational applicability of the term “serious deficiencies” in the delegated act and on the net financial corrections it generated.

Commission's response:

The Commission has adopted delegated acts governing areas under shared management under the new Multiannual Financial Framework (MFF) 2014-2020. The delegated act based on the CPR provides detailed rules to enable the mechanism of financial corrections to work effectively by defining clearly the criteria for determining "serious deficiencies" which trigger the procedure for net financial corrections (NFC) (see Article 30 of Commission delegated regulation 480/2014 of 3 March 2014).

Binding commitments to be made

19. (§40 - 2012/PAR/0316) The Parliament calls on the Commission, in the area of agricultural policy, for conformity clearance procedures in standard cases to be completed in less than two years, as foreseen in the Commission's internal benchmarking adopted more than 15 years ago.

Commission's response:

The Commission is, through the new legal framework of the CAP, is taking actions aiming at streamlining the whole procedure and limiting the risk of unnecessary delays. In particular, deadlines for each step of the procedure are introduced for both Member States and the Commission in the implementing act adopted on 6 August 2014.

However, while there is scope for significantly speeding up the conformity procedure so that in the simplest cases the conformity procedure can be managed in two years, there can be no guarantee that each and every single case can be managed in less than two years. For more complex cases the two phases of the conformity procedure (contradictory followed by conciliation), the respect of the Member State's right to challenge the Commission's findings and the need for the correction to be in proportion to the seriousness of the deficiency will not always make it possible to manage the procedure in less than two years.

The Commission would in this respect also like to point out that the benchmarking referred to in the Art 34 of the draft Implementing Regulation should rather be used as a parameter against which MS and Commission practice is to be assessed.

20. (§41 - 2012/PAR/0317) The Parliament calls on the Commission, in the field of agriculture, to resolve without delay the problems occurring in Paying Agencies whose residual risk of error lies above the materiality threshold of 2% as identified by the Commission; suggests to focus its efforts especially on the Paying Agencies in France, Bulgaria, Romania, Portugal and Latvia.

Commission's response:

The Commission intends to take those actions referred to below. The reason for this is that, in the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, it is the Member State, which has to assume the primary responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules.

The role of the Commission under shared management consists rather in an overall supervision, by verifying the effective functioning of MS's management and control systems through conformity clearance procedures and applying net financial corrections to protect the EU budget.

In addition, the Commission doesn't have the resources to handle every year about 50 million transactions (over 60 billion EUR) for 8 million final beneficiaries. Therefore, DG AGRI audit activities are driven by a central risk analysis (i.e. more audits focus on MSs, measures and programmes affected by higher risks) covering all CAP expenditure in all MS. DG AGRI opens each year around 250 audits on the effectiveness of the paying agencies' management and control systems, and carries out around 120 audit missions on the compliance with the EU rules. As a result, the Commission imposes net financial corrections on the Member States

which they reimburse to the EU budget any irregular spending which has been identified. In 2013 the Commission adopted 4 conformity clearance decisions, covering 147 individual net financial corrections for a total amount of 1,1 billion EUR (2 % of the CAP expenditure budgeted for 2013).

Considering the above, the Commission considers that the suggestion to focus on specific paying agencies would arbitrarily reduce the scope of the audit work to be carried out to address weaknesses.

In its 2013 AAR, for paying agencies with an adjusted residual error rate between 2% and 5%, DG AGRI assesses whether the risk is sufficiently covered by mitigating factors and thus whether a financial reservation is necessary. This includes whether there is an on-going conformity clearance procedure covering the expenditure concerned and whether the necessary remedial actions have been implemented by the MS concerned. PAs with an adjusted residual error rate above 5% were subject to a reservation. DG AGRI made 62 reservations: 11 at measure level for Market Measures, 20 (at paying agency level) for direct payments, and 31 at paying agency level for rural development.

21. (§42 - 2012/PAR/0318) The Parliament calls, in order to remedy shortcomings in LPIS systems, for action plans to be implemented promptly.

Commission's response:

The Commission is taking the requested action. The current procedure is to ask Member States to draw up an action plan when significant deficiencies have been identified in their LPIS. The state of play of implementation of these action plans is subject to a reporting in DG Agriculture and Rural development's Annual activity report (AAR). In addition, relevant information has been made available to the Rapporteur (Cf also replies to requests 2012/PAR/0320, 2012/PAR/0341, and 2012/PAR/0381).

The first course of action is nonetheless for the Member States to set up and promptly implement such action plans. In addition, all Member States have to assess, on an annual basis, the quality of their LPIS and adopt, where appropriate, remedial actions (Cf article 6-2 of Commission Regulation (EC) No 1122/2009).

22. (§42 - 2012/PAR/0319) The Parliament calls, in the event of failure to comply with the deadlines set in the action plans for proportional net financial corrections as part of the conformity clearance procedure.

Commission's response:

Any identified risk to the EU budget systematically triggers a net financial correction, to be applied proportionally to the risk to the EU budget in function of the nature and gravity of the infringement and the loss to the EU budget. Any delay in implementing the necessary remedial action prolongs the duration of the identified risks of irregular payments and therefore triggers systematically a higher net financial correction.

In addition, following the entry into force of the CAP Horizontal Regulation No 1306/2013 a new legal framework provides for the possibility to, as an additional preventive measure, suspend payments where the Commission concludes that the MS concerned is not in a position to implement the necessary remedial measures in accordance with an action plan based on clear progress indicators. This

represents a further incentive for the MS to speed up the implementation of the action plans and to abide by the agreed deadlines for accomplishing the corrective actions.

The combination of preventive actions (interruption for EAFRD and suspensions for both Funds) and net financial corrections where expenditure is paid in non-respect of EU rules allows the Commission to act promptly and efficiently to protect the EU budget.

23. (§43 - 2012/PAR/0320) The Parliament calls on the Commission to report on the state of play of the implementation of the action plans for France and Portugal by 30 June 2014.

Commission's response:

The requested action has been taken. DG AGRI has reported on the implementation of the action plans for Portugal and France in its Annual Activity Report 2013, which will be published in mid-June 2014. The relevant information has already been made available to the rapporteur.

For Portugal, the action plan was implemented in 2013. For France, the plan is expected to be completed for claim year 2016. In the meantime, it is closely monitored by the Commission services and the financial risk is fully covered by the ongoing conformity clearance procedures.

24. (§44 - 2012/PAR/0321) The Parliament takes the view that recurrent land parcel identification shortcomings must be met by progressively increasing corrective penalties well beyond existing net and flat-rate corrections; calls for a Commission proposal along these lines.

Commission's response:

The Commission will not be taking the requested action because it would require reopening a regulation that has just been adopted by the two co-legislators in the framework of the CAP reform. However, the increase in financial corrections for recurrent violations of EU rules is already provided for and is applied in all cases where there is enough evidence that the persistence of the deficiencies is increasing the financial risk to the EU budget.

25. (§45 - 2012/PAR/0322) The Parliament calls on DG AGRI to develop and formalise its control strategy, re-engineer its risk assessments according to the targets established, and ensure proper monitoring through better quantitative and qualitative key performance indicators whose disclosure in the Annual Activity Report should be improved.

Commission's response:

DG AGRI adopted a new multi-annual audit strategy in March 2014.

This audit strategy confirms the risk and system based approach, notably to achieve a better audit coverage. A rolling three-year audit programme will apply from July 2014. It will be reviewed periodically to take into account the implementation of the CAP reform (e.g. new greening payments and associated risk) and also the additional evidence that will be available from 2016 as a result of the new work of the certification bodies on legality and regularity. Key performance indicators on geographical coverage, expenditure coverage and risk

coverage are included in the strategy. They will be monitored and reported upon in future AARs from AAR 2014.

26. (§46 - 2012/PAR/0323) The Parliament calls, in the field of regional policy, following the Commission's and the Court of Auditors' recommendations, for the Member States to drastically step up their first-level checks and render them more stringent.

Commission's response:

The Commission has taken the recommended action and included in its audit strategy for cohesion policy focused and risk-based audits enquiries to tackle shortcomings at the level of managing authorities.

See reply § 5 – 2012/PAR/301

27. (§47 - 2012/PAR/0324) The Parliament calls on the Commission, in the activity reports of the directorates-general, to report the extent to which Member States' control statistics or audit reports have been examined, verified and validated and the depth in which this has been done.

Commission's response:

The Commission has taken the recommended action and reported about its controls in the AARs of the Directorates-General concerned.

28. (§48 - 2012/PAR/0325) The Parliament calls on the Commission, in its annual activity reports, to indicate how its own risk analyses have influenced the use of its own audit capacities, which countries were concerned and whether the shortcomings were remedied; calls for more direct audits of random samples taken from national granting authorities and final beneficiaries.

Commission's response:

The term "random samples" is misleading in this context, since the EP seems to ask for risk based audits. The Commission is sampling on a risk base.

The Commission has taken the requested action and reported in the AARs of the Directorates-General concerned on the audits carried out. In the area of cohesion, audit resources are annually deployed on the basis of a comprehensive risk analysis. The audit work is generally focused on two main areas, i.e. (i) the re-performance of Audit Authorities' work and, (ii) system related audit work (generally verification of management verifications). Both types always include the audit of a sample of beneficiaries and operations. The audits which lead to a negative assessment of the systems systematically give rise to interruption or suspension procedures.

Concerning the request to increase the audits on managing authorities, please see reply to 2012/PAR/0323.

As regards Agriculture, each year the Commission opens around 250 audits on the effectiveness of the paying agencies' management and control systems, and carries out around 120 audit missions on the compliance with the EU rules. These audit activities are driven by a central risk analysis (i.e. more audits focus on MSs, measures and programmes affected by higher risks) covering all CAP expenditure in all MS. The additional staff required for carrying out direct audits based on a random sample on a scale that would allow an extrapolation of the results would

far exceed the staff that could be redeployed and/or freed by reducing the number of audits in MS with low error rates. See also reply to 2012/PAR/0333.

29. (§49 - 2012/PAR/0326) The Parliament stresses that the guidelines for audits by the Commission itself ought to constitute a self-imposed obligation on the Commission; calls on the Commission already to present them as part of the 2013 discharge procedure; calls for clear indications, to this end, of the extent to which Member States and programmes which have attracted attention in the past have been subjected to a special audit approach and the extent to which net financial corrections can be accelerated.

Commission's response:

The Commission has taken the requested action.

As regards Cohesion, The "guidelines for audits" is understood as the Commission audit strategy for the 2014-2020 period, which was drafted as a single audit strategy for ERDF, ESF, CF and EMFF for the years 2014/2015 and finalised on 15/04/2014 (Ares(2014)1192851), i.e. in time for the 2013 discharge.

The "special audit approach" is understood as a risk based audit approach and is embedded in the above mentioned audit strategy. Please see reply to 2012/PAR/0323.

The request to indicate "the extent to which net financial corrections can be accelerated" is unclear. The Commission has committed itself in the 2008 Action Plan that contradictory procedures related to financial corrections have to be finalised within 24 months after the audit. The Commission is meeting this objective.

In the area of agriculture, from the beginning of 2016 (in respect of financial year 2015), Certifying Bodies (CB) will report on the legality and regularity of the expenditure for which reimbursement was requested from the Commission to a much greater extent than has been the case under the previous and current regulatory frameworks. In practice, this means that CBs will be required to verify the results of on-the-spot checks carried out by the PAs. Detailed guidelines on the audit methodology for the CB have been prepared with the MS and were made available on 15/01/2014. DG AGRI's audit strategy provides for a specific audit work from 2015 in order to check the reliability of the opinion delivered by the CBs.

In addition, the Commission is taking actions aiming at streamlining the whole procedure and limiting the risk of unnecessary delays through the new legal framework of the CAP. In particular, some steps of the existing contradictory procedure will be merged, deadlines for each step of the procedure are introduced for both Commission and Member States, and if a Member State does not send the required information in time the Commission will be able to proceed to the next step on the basis of the information available. The Commission will endeavour to limit the maximum duration of the whole conformity clearance procedure to the strict minimum necessary, while respecting the different stages of the conformity procedure (i.e. contradictory and conciliation) required by the relevant regulations; for standard cases the procedure will be accomplished in maximum two years.

30. (§50 - 2012/PAR/0327) The Parliament expects that the Commission improves its own checks on the audit authorities' annual control reports, to ensure that auditors are able to reach conclusions on the impact of the reliability of error rates from Member States' audits and to strengthen its assurance process.

Commission's response:

The Commission has taken the requested action. The Commission reviews the work of audit authorities, including through re-performance of audits of operations already audited by the audit authorities. In the context of the analysis of the ACRs, the Commission requests from audit authorities specific underlying or complementary information, including in the context of its on-the-spot fact-finding missions, when necessary for the assessment of reported error rates, and in case of specific risks.

The Commission's assessment of the reported error rates is to be seen in the context of the assurance it has obtained since 2009 through its review of the work of audit authorities, which includes re-performance of audits of operations already audited by the audit authorities.

In addition, further guidance on the treatment of errors has been provided to the Audit Authorities in 2012-2013 and numerous technical meetings and seminars have been organised by the Commission with all audit authorities in 2012-2013 in order to further improve the audit sampling methodology used in preparation of the ACRs.

In the Agricultural area, the Commission is already verifying the quality of the certification reports and opinions issued by the Certifying Bodies during the annual financial clearance of accounts. Verifying the quality of the certification reports is reinforced by the new strategic audit plan and annual work programme. The reliability of the certification work remains for the financing period 2014-2020 of a particular interest for DG AGRI, considering that those results feed in the Central Risk Analysis (CRA) and constitute the ground for calculating the residual error rates to be reported in the AAR and to be used for DAS purposes.

31. (§51 - 2012/PAR/0328) The Parliament calls on the Commission to do everything in its power to shorten the adversarial procedures preceding the imposition of net corrections or interruptions of payments; calls on the Commission to submit a report and a proposal on the subject.

Commission's response:

The Commission has taken the requested action. On the shortening of contradictory procedures for financial corrections in the area of Cohesion policy, the Commission has committed itself in the 2008 Action Plan that contradictory procedures related to financial corrections have to be finalised within 24 months after the audit. The Commission is meeting this objective.

Concerning "the adversarial procedures preceding the [...] interruptions of payments", the Commission points out that there is no adversarial procedure to interrupt payment deadlines. An interruption is an administrative act that takes place without such a procedure.

The submitting of a proposal is understood as preparing the delegated acts. The Commission has adopted delegated acts governing areas under shared management under the new Multiannual Financial Framework (MFF) 2014-

2020. The delegated act based on the CPR provides detailed rules to enable the mechanism of financial corrections to work effectively by defining clearly the criteria for determining "serious deficiencies" which trigger the procedure for net financial corrections (NFC) (see Article 30 of Commission delegated regulation 480/2014 of 3 March 2014).

In the area of agriculture, the Commission is taking actions aiming at streamlining the whole procedure and limiting the risk of unnecessary delays through the new legal framework of the CAP (notably, Article 34 of the draft Implementing Regulation). In particular, some steps of the existing contradictory procedure will be merged, deadlines for each step of the procedure are introduced for both Commission and Member States, and if a Member State does not send the required information in time the Commission will be able to proceed to the next step on the basis of the information available. The Commission will endeavour to limit the maximum duration of the whole conformity clearance procedure to the strict minimum necessary, while respecting the different stages of the conformity procedure (i.e. contradictory and conciliation) required by the relevant regulations; for standard cases the procedure will be accomplished in maximum two years.

32. (§52 - 2012/PAR/0329) The Parliament calls on the Commission to insert in the annual report on the protection of the Union budget a chapter on net financial corrections per Member State.

Commission's response:

The Communication on the protection of the Union budget will provide information on interruptions, suspensions, financial correctors and recoveries. In addition, the Commission will include data on net financial corrections which lead to assigned revenue for the EU budget and the results of Member States' corrective work.

33. (§53 - 2012/PAR/0330) The Parliament calls on the Commission to identify in the Communication on shared fund management the three Member States with the highest error rates and financial corrections, which will subsequently receive a hearing from the discharge authority as part of the discharge procedure.

Commission's response:

The Commission has taken the requested action. The "Communication on shared fund management" is understood as the communication on the protection of the EU budget, adopted in September each year. There, financial corrections are reported but no error rates. Error rates by Member States are reported in the AARs of the Directorates-General concerned. Both documents, the AAR and the report on the protection of the EU budget, contain information by Member State. The request concerning the hearing is addressed to the discharge authority.

34. (§56, 1st indent - 2012/PAR/0331) The Parliament asks that the DGs concerned should build up a new and reinforced audit strategy to counter weaknesses found in in some Member States as referred to in paragraphs 47, 48 and 49.

Commission's response:

The Commission has taken the requested action and put in place a new and reinforced audit strategy for Agriculture (in May 2014) and a single audit strategy

for the 2014-2020 period for ERDF, ESF, CF and EMFF for the years 2014/2015 (Ares(2014)1192851) that cover the requests raised by the EP.

35. (§56, 2nd indent - 2012/PAR/0332) The Parliament asks for intensification of quality checks on Member-States audit and control reports as referred to in paragraphs 47 and 48.

Commission's response:

The European Court of Auditors (ECA) has for a number of years expressed concern that Member States' statistics were understated and that the work requested of the certification bodies was not sufficient to deliver a valid audit opinion on the legality and regularity of the underlying transactions. In this context, it is important to highlight the changes brought about by the new Horizontal Regulation, No 1306/2013 insofar as the work of the Certification Bodies (CB) is concerned (Art 9), and which amongst other things, are aimed at addressing the Court of Auditors concerns.

From the beginning of 2016 (in respect of financial year 2015), CBs will report on the legality and regularity of the expenditure for which reimbursement was requested from the Commission to a much greater extent than has been the case under the previous and current regulatory frameworks. In practice, this means that CBs will be required to verify the results of on-the-spot checks carried out by the PAs.

Detailed guidelines on the audit methodology for the CB have been prepared with the MS and were made available on 15/01/2014. DG AGRI's audit strategy provides for a specific audit work from 2015 in order to check the reliability of the opinion delivered by the CBs. If correctly done the opinion of the CBs on legality and regularity will reinforce the overall assurance that can be drawn by DG AGRI on the reliability of MS control systems including reported control statistics and error rates.

In the meantime and as recommended by ECA, DG AGRI applies a new approach to estimate the residual error rates that takes into account all available information, notably audits from both DG AGRI and ECA in the last 3 years. The potential impact of the identified deficiencies on the error rate is estimated and added as a top-up to the error rate reported by the Member State concerned at the level of each paying agency, resulting in a more realistic and more precise estimate of the residual error rate. Applied to direct payments for the AAR 2012, the methodology has been further developed and extended to the whole CAP expenditure in the AAR 2013.

36. (§56, 3rd indent - 2012/PAR/0333) The Parliament asks for an increase in the random sampling based audits by the Commission in the spot and the more systematic use of net financial corrections as referred to in paragraph 13.

Commission's response:

The term "random samples" is misleading in this context, since the EP seems to ask for risk based audits (see request 2012/PAR/0325). The Commission is sampling on a risk base.

Concerning the request to increase the audits on managing authorities, please see reply to 2012/PAR/0323.

If "random samples" is understood as statistical sampling, the requested action is not being taken. The additional staff required for carrying out direct audits based on a statistical sample on a scale that would allow an extrapolation of the results would far exceed the staff that could be redeployed and/or freed by reducing the number of audits in MS with low error rates. Moreover, MS with low error rates are already less exposed to Commission scrutiny based on the risk analysis. Reducing Commission controls further would not be in line with the principles for a sound risk analysis and could lead to financial risks to the budget.

As regards net financial corrections for cohesion policy, the Commission has taken the requested action. For the 2014-2020 programming period, under certain conditions fixed in the regulation (Article 145(7)), the Commission must adopt a decision of a net financial correction even if the Member State agrees to the correction, thus removing the possibility for the Member State to re-use the amount. There is no discretionary power for the Commission.

In the Agricultural area, the audits will continue on a risk-based system. As the risks identified may very much vary depending on the MS, measure, scheme, paying agencies or control system at stake, a purely transaction-based approach, on the basis of a fully representative and statistically valid sample, appears less relevant than system-based and risk-based audits, especially when considering also the existing audit resources and the large number of transactions that such audits would have to cover. DG AGRI's multiannual audit strategy for the 2014-2020 period maintains the risk based approach and aims to achieve a better trade-off between risks and coverage: no MS will be left out, but more risky MS will be audited more intensively.

As from the FY 2015, the results of the audit work carried out by the certification bodies on the legality and regularity of expenditure will be used in the Agricultural area, based on a representative sample of transactions at the level of final beneficiaries.

The Commission will make systematic use of net financial corrections in case of non-compliance with EU rules or inadequate control procedures, in order to mitigate the risk of irregular expenditure. The introduction of deadlines for the conformity clearance procedure in the area of agriculture (made possibly by the new legal framework for the CAP) should reduce the time needed to decide on these net financial corrections.

37. (§56, 4th indent - 2012/PAR/0334) The Parliament asks for detailed rules in the CPR delegated act to provide for definition of serious deficiencies and assessment of key requirements for management and control systems as referred to in paragraph 216.

Commission's response:

See reply § 39, 4th indent – 2012/PAR/0315

38. (§56, 5th indent - 2012/PAR/0335) The Parliament asks for the application of progressively increasing payment reductions and administrative sanctions where eligibility criteria have not been respected by the final beneficiary receiving direct payments or rural development support and recurrent LPIS shortcomings.

Commission's response:

The Commission has taken the requested action. The current regulatory framework carries forward a system of effective, dissuasive and proportionate penalties when beneficiaries have not complied with the eligibility conditions. The relevant delegated act was published on 20 June after the end of the scrutiny period (Commission Delegated Regulation (EU) No 640/2014 supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system and conditions for refusal or withdrawal of payments and administrative penalties applicable to direct payments, rural development support and cross compliance). These provisions should be applied by the Member States at the level of final beneficiaries, and are without prejudice to financial corrections that the Commission may impose on Member States in case deficiencies in their management and control systems, including the LPIS, are identified. Moreover, where such deficiencies are of a serious nature, the Commission may reduce or suspend monthly and interim payments to Member State on the basis of Article 41 of the new Horizontal Regulation (EU) No 1306/2013 on the financing, management and monitoring of the CAP.

39. (§56, 6th indent - 2012/PAR/0336) The Parliament asks for the suspension mechanism to be used as an ex ante instrument for protection of the Union budget as referred to in paragraph 42.

Commission's response:

The Commission will use the new mechanism for suspension established in Article 41 of Regulation No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the CAP, as a new ex-ante instrument to protect the EU Budget from weaknesses in the control system of the Member States.

40. (§56, 7th indent - 2012/PAR/0337) The Parliament asks that the use of interruptions, suspensions, financial corrections, and recoveries will be detailed in the next annual report on the protection of the Union budget, and specifically for structural and cohesion funds in the reports for 2016 onwards as referred to in paragraph 52.

Commission's response:

see response to request 2012/PAR/0329

41. (§56, 8th indent - 2012/PAR/0338) The Parliament asks that Annual Activity Reports (AARs) from the DGs should include information on reservations regarding risk to the Union budget and such reservations should only be lifted when the weaknesses have been addressed through Member State action and correction of irregular expenditure, and AARs also to error rate and residual risk estimates particularly when Member States have carried out corrective actions.

Commission's response:

The Commission considers that the 2013 AARs include this information and confirms the practice of lifting reservations.

Indeed, the Commission reports the serious weaknesses identified in the execution of the EU budget through reservations in the AARs of the Commission's Directors-General and discloses the resulting risk for the EU budget. A reservation always

goes hand in hand with a clear action plan to tackle the problem identified in the management of EU funds and, if the regulatory conditions are met, the Commission may interrupt or suspend the respective payments. The Commission follows up these reservations and the corresponding action plans by monitoring the progress of the underlying work to implement them. A reservation will be lifted only once the Commission has obtained reliable evidence that the weaknesses have been addressed through the implementation of appropriate actions by the Member State (MS) the appropriate correction procedures have been launched, and the new system has proved its reliability in practice.

AARs also show in a transparent way how the Commission fulfils its responsibility with regard to ensuring the legality and regularity of shared management policies, at the level of individual MS and programmes (for Cohesion Policy) or paying agencies (for Agriculture). In addition, the Commission presents estimates of error rates and residual risks concerning paying agencies, measures or programmes and MS to have an indication of the actual risk after the implementation of corrective actions.

42. (§56, 9th indent - 2012/PAR/0339) The Parliament asks that a new horizontal report should be prepared on how new preventive and corrective tools are implemented under the 2014-2020 MFF, and assessing any risk from the gap between the final legislation compared to the Commission proposals.

Commission's response:

The new annual horizontal report analysing how the new preventive and corrective tools are and will be implemented under the MFF 2014-2020 can only be made available for the first time as of 2016. Before that, the timing of the adoption of the corresponding legislative acts does not allow for an adequate assessment. The ad hoc "gap assessment" report will be produced once in early 2015 and will show the main differences between the Commission's proposals and the final legislative acts as adopted by the Legislative Authority, and it will identify the potential risks that those differences may entail.

43. (§56, 10th indent - 2012/PAR/0340) The Parliament asks that contradictory and conciliation procedures should be streamlined so that the whole conformity procedure will be shortened to two years in all standard cases as referred to in paragraph 40.

Commission's response:

The Commission is, through the new legal framework of the CAP, is taking actions aiming at streamlining the whole procedure and limiting the risk of unnecessary delays. In particular, deadlines for each step of the procedure are introduced for both Member States and the Commission in the implementing act adopted on 6 August 2014.

However, while there is scope for significantly speeding up the conformity procedure so that in the simplest cases the conformity procedure can be managed in two years, there can be no guarantee that each and every single case can be managed in less than two years. For more complex cases the two phases of the conformity procedure (contradictory followed by conciliation), the respect of the Member State's right to challenge the Commission's findings and the need for the

correction to be in proportion to the seriousness of the deficiency will not always make it possible to manage the procedure in less than two years.

The Commission would in this respect also like to point out that the benchmarking referred to in the Art 34 of the draft Implementing Regulation should rather be used as a parameter against which MS and Commission practice is to be assessed.

44. (§56, 11th indent - 2012/PAR/0341) The Parliament asks that, for France and Portugal, comprehensive action plans should be established in the field of agriculture in among other the updating of their LPIS systems as requested in paragraph 44.

Commission's response:

The requested action has been taken. Comprehensive action plans have already been established for both Portugal and France.

For Portugal, the action plan was implemented in 2013. For France, the plan is expected to be completed for claim year 2016. In the meantime, it is closely monitored by the Commission services and the financial risk is fully covered by the ongoing conformity clearance procedures (Cf reply to request 2012/PAR/0320).

45. (§56, 12th indent - 2012/PAR/0342) The Parliament asks for the introduction of a template and recommendations for national management declarations.

Commission's response:

The Commission actively supported the introduction of national declarations during the negotiations of the last revision of the Financial Regulation. As a result of the negotiations, the new Financial Regulation of 25.10.2012 endorsed the concept of additional declarations signed at the appropriate level, i.e. national declarations (Art. 59.5).

Following the conclusion of the legislative deliberations on the financial year 2011, a dedicated working group on national declarations was established to develop recommendations and a template for such national declarations. The group was launched on 16 December 2013 by Commissioner Šemeta, together with MEP Jan Mulder and the Council's Lithuanian and Greek Presidencies. The documents related to its activities are published at the following URL address: http://ec.europa.eu/budget/biblio/documents/iwgnd/index_en.cfm

The Commission also reported in the ECOFIN meeting of 18 February 2014 on the results achieved by the working group so far. The working group has finalised its work by the end of June 2014 and adopted on June 26 the recommendations for the establishment and use of national declarations. Once adopted by the Commission, the recommendations and templates will be transmitted to the EP, the Council, the European Court of Auditors (ECA) and the national Parliaments.

46. (§56, 13th indent - 2012/PAR/0343) The Parliament asks for limiting the option of replacing projects affected by error with new projects before 15 February n+ 1.

Commission's response:

The regulatory framework for the 2014-2020 period, recently adopted in December 2013 provides for rules for net financial corrections. Legislative proposals for the 2021-2028 period will only be drafted after 2017.

The request calls for a review of the legislation adopted by the European Parliament and Council only in December 2013.

47. (§56, 14th indent - 2012/PAR/0344) The Parliament asks for making better use of RAL and limiting the period covered by pre-financing.

Commission's response:

This is not possible due to the current legal set-up of the various programs. This objective can only be achieved by first modifying the relevant regulations and then by amending each individual agreement. More importantly, it should be underlined that the prefinancing is a tool meant to provide our beneficiaries with a float and to enable them to run the projects they have committed to. If the period covered by prefinancing were to be shorter than the period of the project, then the beneficiary would sooner or later run out of resources and the project in question could eventually fail.

48. (§56, 15th indent - 2012/PAR/0345) The Parliament asks that the Commission should reach binding bilateral agreements with Member States which have attracted particular attention, along the lines of the European Semester.

Commission's response:

As outlined in great detail in letters from President Barroso and Commissioner Semeta regarding the Discharge 2012, the Commission has committed itself already to address weaknesses in Member States. Commissioner Semeta's letter provides a comprehensive outline of instruments and actions put in place to, inter alia, identify Member States with serious systems deficiencies, how to address the problems and how to report on the actions taken. This will be possible within the existing legal framework put in place for the spending programmes under the new financial framework. Different processes are put in place to report on Europe 2020 which is a common endeavour of Member States and the Commission.

49. (§58, §59 - 2012/PAR/0346) The Parliament calls on the Commission to establish a registry for all Union funds going to media in the Member States from the structural funds or agricultural funds including rural development; calls on the Commission to concentrate on those Member States which are vulnerable or conspicuous in this respect.

Commission's response:

The Commission considers that the request is not operational enough in order to be implemented. Under shared management in cohesion policy, the Commission does not have information at project level.

However, for agriculture and rural development, following the European Court of Justice ruling of 9.11.2010 in cases C-92/09 and C-93/09 Volker und Markus Schecke GbR and Hartmut Eifert, the EC has proposed to the European Parliament and Council new provisions on Transparency. These are included in Chapter IV of Regulation (EU) N° 1306/2013 of 17 December 2013). The purpose of the new provisions is to make information about the beneficiaries of CAP payments accessible to the public, together with details about the measures, the nature and purpose of the CAP payments. This will enhance transparency regarding the use of Union funds in the common agricultural policy and will

improve the sound financial management of these funds, in particular by reinforcing public control of the money used. In order to cause the least interference with the beneficiaries' right to respect for their private life in general and to protection of their personal data in particular, a threshold was set up as regards the amount of aid received below which the name of the beneficiary should not be published. The new rules will be applicable to payments made from financial year 2014, as from 31st May 2015.

50. (§60 - 2012/PAR/0347) The Parliament urges the Commission to establish the template for the management declaration as soon as possible; reiterates in this respect the on-going work of the interinstitutional working group on Member State Declarations which for its result is very dependent on the new content of the management declarations.

Commission's response:

The management declarations as foreseen by Art 59 of the Financial Regulation are further defined in the respective sectoral legislation.

For CAP, the template for management declarations is foreseen in Article 3 and Annex I of the "COMMISSION IMPLEMENTING REGULATION (EU) No 1306/2013 of 17 December 2013 laying down rules for the application of point (b) of Article 7(3) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy with regard to paying agencies and other bodies, financial management, clearance of accounts, rules on controls, securities and transparency". This implementing act was adopted on 06/08/2014 (C/2014/5461).

For the European Structural and Investment Funds (ESI Funds) the template for a management declaration is foreseen in the "COMMISSION IMPLEMENTING REGULATION (EU) No .../..of XXX laying down additional rules pursuant to Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards the model for the progress report, the format for submission of the information on a major project, the methodology for carrying out the cost-benefit analysis, the format of the model for the joint action plan, the model for the implementation reports for the Investment for growth and jobs goal, the model for the management declaration, the models for the audit strategy, the audit opinion and the control report and pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council as regards the model for the implementation reports for the European territorial cooperation goal" (inter-service consultation closed in July). This implementing act is to be adopted in accordance with the advisory procedure. It is currently in discussion with the Member States and expected to be adopted in the second semester of 2014.

51. (§61 - 2012/PAR/0348) The Parliament calls on the Commission to monitor the certification process of the national audit authorities in the Member States dealing with repeatedly high error rates more frequently; encourages the Commission to present a communication and legislative proposal to this end.

Commission's response:

The Commission will not be taking the requested action. As regards Structural and Cohesion Funds, the size of error rates is not linked to the reliability of the audit authorities. High error rates can be reported by reliable as well as non-reliable

audit authorities. The same holds true for low error rates. The Commission monitors all audit authorities and verifies in particular their independence (condition in the CPR) but audit authorities are not formally subject to a certification process under the CPR. The Commission sees no need for a legislative proposal.

The new reinforced audit strategy in DG AGRI aims to target the weakest links in the assurance chain: deficient management and control systems which perform ineffective first level checks at the level of the paying agencies and which produce unreliable control results at the level of certifying bodies.

52. (§62 - 2012/PAR/0349) The Parliament calls on the Commission to apply Article 32(5) of the Financial Regulation (EU, Euratom) No 966/2012 if the level of error is persistently high, and consequently to identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action in terms of simplification, improvement of control systems and redesign of programmes or delivery systems.

Commission's response:

The Commission has taken the recommended action and refers to the design of the delivery system for 2014-2020 programming period.

The key elements of the 2014-2020 reform are related to ensuring better spending and better programme governance to ensure a more error-safe environment. This will include increased result orientation and performance, ex-ante conditionalities to be fulfilled at the start of implementation for each programme, simplification, particularly for beneficiaries and harmonised and simplified eligibility rules.

The Common Provisions Regulation for the 2014-2020 programming period also contains reinforced control provisions and requirements compared to the 2007-2013 period that will improve the Member States' accountability so as to better address errors and ensure legality and regularity of co-financed expenditure each year before certifying the programme accounts to the Commission.

As regards the assessment of the first-level checks for 2007-2013 the Commission considers it is already carrying out such assessment since 2010 through targeted audits on high risk programmes in the frame of its audit enquiry "Bridging the assurance gap". Results of these risk-based audits by end 2013 were submitted to the European Parliament in the context of the 2012 Discharge and are presented in the AAR of DG Regional and Urban Policy (see page 41 and Annex 8).

As regards agriculture, DG AGRI is currently implementing the requirement in Article 59 of the new Financial Regulation that the Certifying bodies have to issue an opinion on the legality and regularity of MS transactions. This new assurance model will reinforce the work of the Certifying bodies and provide the Commission with a much more reliable picture of the quality of MS control activities. In addition, simplification efforts have been put forward through the new CAP for the period 2014-2020, in compliance with sound financial management principles.

53. (§63 - 2012/PAR/0350) The Parliament calls for significant reductions in those reporting requirements and control densities for Member States that operate permanently with very low error rates; encourages the Commission to present a communication including an efficient and effective control policy to this end,

allowing for more resources to be made available for control measures in and for countries with high error rates.

Commission's response:

The Commission considers that the reliability of the reported error rates is as important as the reported error rate itself in order to evaluate the functioning of the systems and to decide where to focus the audit activity on. See also reply to 2012/PAR/0348. As regards the called for reduction of control densities, this option is already provided for in the area of agriculture (Art 41 of the draft Implementing Regulation, detailing the rules already enshrined in Art 59(5) of Regulation (EU) No 1306/2013, on the financial management of the CAP provides for the cumulative conditions to be met for a reduction in the number of on-the-spot-controls).

54. (§64 - 2012/PAR/0351) The Parliament urges the Commission to tackle the problem of 'frontmen' being used for the purpose of obtaining public contracts and calls for every stage of public procurement procedures to be published on Internet, ensuring maximum transparency, and identifying subcontractors also.

Commission's response:

Les mesures ont déjà été prises en ce sens: les nouvelles directives sur les marchés publics 2014/24/UE et 2014/25/UE augmentent déjà la transparence puisque:

- dès le début de la procédure, tous les documents y relatifs doivent être disponibles électroniquement;*
- pour tous les services relevant des directives, il existe maintenant une obligation de publication ex-ante et ex-post;*
- une fois le contrat octroyé, il existe l'obligation de communiquer les noms et adresses des sous-traitants des services et travaux qui sont fournis dans les locaux placés sous la surveillance directe des pouvoirs adjudicateurs.*

Il est à noter que les directives 2014/24/UE et 2014/25/UE sont entrées en vigueur le 17 avril 2014 et que les Etats membres disposent d'un délai de 2 ans pour les transposer en droit national (au plus tard jusqu'au 18 avril 2016).

Toutefois, la Commission ne peut accepter l'exigence de la publication sur internet à chaque étape des procédures de passation de marché public, car celle-ci irait à l'encontre de la simplification administrative recherchée par les directives elles-mêmes.

With regard to the Concessions Directive 2014/23, new rules contain obligation to ensure free of charge and unrestricted access to all concessions documents on-line (since the moment of publication of concession notice or invitation to tender).

55. (§65 - 2012/PAR/0352) The Parliament calls on the Commission to examine its internal shared management arrangements and make recommendations to the European Parliament regarding the appointment of Union officials at the head of national payment, management and audit authorities in the Member States with responsibility for the disbursement of Union funds.

Commission's response:

Member States have the task to appoint the heads of national authorities. The request would violate the principles of shared management and subsidiarity and

interfere with the autonomy of national public administrations. For Regional policy, a task force was already set up to help administrations in Greece and Portugal. DG REGIO also provides financial management and control training seminars on the 2014-2020 programming period to MS' authorities. Also underway are anti-fraud and anti-corruption seminars targeting certain MS in particular. Another initiative is the guidance on how to avoid the most common errors linked to public procurement.

As regards Agriculture, DG AGRI services regularly meet with representatives of the Learning Network of Directors of Paying Agencies and Coordination bodies to examine various technical aspects related to the management and control of CAP instruments. At the annual conference of the directors of the Paying Agencies, organized by DG AGRI, DG AGRI auditors inform of their own most common audit findings and present the findings of the Court of Auditors. Such presentations are also made on the occasion of similar biannual conferences organized by the Presidency. Moreover, DG AGRI's anti-fraud advisor regularly gives anti-fraud seminars at paying agencies. Moreover, as of 2014, DG AGRI has created a new unit specifically dedicated to providing MS with advice and support in the implementation of direct payment schemes.

The Court of Auditors' Statement of Assurance

56. (§70 - 2012/PAR/0353) The Parliament calls for a figure to be put on the risk of the above amount [amounts to be called from MSs for staff pensions] not being made available, in the light of the Member States' financial positions; proposes that consideration should be given to setting up a Community pension fund in order to get these financial commitments vis-à-vis staff off the balance sheet.

Commission's response:

As replied in previous years, the accounting practice described has been used since the introduction of the accruals based accounts in the EU entities. Applying a different method would unavoidably lead to a negative DAS for the accounts because it is not in line with the International Public Sector Accounting Standards. Pension liability is a widely spread concept with international definition from which it is not for the Commission to depart. As regard the suggestion to create of an actual pension fund, it should be recalled that the Union pension scheme is based on the same actuarial principles as an actual pension fund. The possible creation of an actual pension fund has also been addressed, amongst other policy aspects, in the context of the Report from the Commission to the Council on the Pension Scheme of European Officials and Other Servants of the European Union (COM (2012) 37 final, available at this link). In particular, Section 4.7 presents several possible different implementation options, with estimates of the related budgetary implications.

57. (§94 - 2012/PAR/0354) The Parliament calls on the Commission to supply country-specific information in the appropriate depth and on the basis of meaningful time series.

Commission's response:

The communication on the protection of the EU budget will provide amounts broken down per Member States.

58. (§96 - 2012/PAR/0355) The Parliament asks the Commission to provide Parliament and the Council with precise amounts [concerning financial corrections and recoveries] and the use made thereof in this regard in the next communication on the protection of the Union budget for the financial year 2013.

Commission's response:

This will be included in the communication on the protection of the EU budget in September 2014.

59. (§100 - 2012/PAR/0356) The Parliament encourages the Commission to present information reconciling as far as possible the year in which payment is made, the year in which the related error is detected and the year in which recoveries or financial corrections are disclosed in the notes to the accounts.

Commission's response:

The EP has requested this already in the past and the Commission has explained the technical circumstances that hinder such a reporting. Due to the cumulative feature of payment applications under cohesion policy, projects expenditure can be spread over many years.

The Commission is committed to improving the information provided on the protection of the EU budget but regarding the request to link recoveries or financial corrections to the year of the original payment or detection, it has to be noted that it is seldom possible as expenditure is controlled several years after the actual year of a given payment. Additionally, in shared management, the differences in the timing of financial corrections and actual recoveries on one side, and error rates on the other, also prevent this reconciliation. This is also relevant for direct management where recovery orders are issued after the end of the – often multiannual – grant period.

In the area of Agriculture, reconciliations of payments with declared expenditure and recoveries/financial corrections are carried out by the Certifying Bodies during the annual financial clearance of accounts.

60. (§102 - 2012/PAR/0357) The Parliament calls on the Commission to develop a joint approach among the directorates-general with regard to establishing amounts at risk.

Commission's response:

The Commission has provided a definition of the concept of amount at risk in the 2013 Synthesis report COM(2014)342 final.

61. (§103 - 2012/PAR/0358) The Parliament urges the Commission to adequately protect the Union budget and finds the average level of past financial corrections and recoveries encouraging.

Commission's response:

The Commission will continue to improve the application of financial corrections and recoveries. This issue has also been addressed in the 2013 Synthesis report.

62. (§104 - 2012/PAR/0359) The Parliament considers that the comparison made by the Commission's Synthesis Report of the total for 'amounts at risk' with the average level of financial corrections over the last years should be put into context.

Commission's response:

The Commission has provided information on this aspect in the 2013 Synthesis report.

63. (§105 - 2012/PAR/0360) The Parliament regrets that the Commission continues to ignore Parliament's long standing request to add the individual Commissioner's signature to the annual activity reports of his/her related Directorate-General for which he/she is responsible; notes that the synthesis report is adopted by the College of Commissioners, but deems this unsatisfactory in the light of democratic accountability principles.

Commission's response:

The AAR is established in compliance with the FR which stipulates that the Authorising Officer by Delegation shall report to his or her institution on the performance of his or her duties in the form of an annual activity report. The Synthesis Report is adopted by the College in oral procedure. As mentioned in this report, by adopting the Synthesis Report, the College takes the political responsibility for the management of the Budget.

64. (§109 - 2012/PAR/0361) Given the urgent lifesaving nature, rapid project cycle and modest budget (EUR 2 per citizen per year) involved in the Union emergency response, the Parliament calls on the Commission and the budgetary authority to recognise the exceptional nature and specificity of these actions by ensuring matching levels of commitment and payment appropriations for humanitarian aid in the annual budgetary cycle.

Commission's response:

The Commission recognises the very nature and the specificity of humanitarian aid actions and is fully aware of the problems that the high volume of outstanding commitments may create.

In order to rectify this situation caused by the high pressure on the level of payment appropriations it has taken the following corrective measures:

With the transfer DEC 6/2014 in April the payment appropriations have been increased by EUR 150 million drawing from the Emergency Aid Reserve (EUR 50 million), and a temporary redeployment from DCI (EUR 55 million) and IPA (EUR 45 million, including EUR 15 million from cross-border cooperation).

In the Draft Amending Budget 3/2014 the Commission has requested EUR 250 million in payments.

In Draft Budget DB 2015 the Commission is proposing for Humanitarian Aid to set payments at the same level as commitments.

The Commission believes that these measures are adequate to meet the legal obligations and to avoid disruption on the ground.

65. (§110 - 2012/PAR/0362) The Parliament notes that under shared management pre-financing payments are not conditioned by the existence of a guarantee; suggests therefore that the Commission should provide in the reports of the accounting officer a breakdown of pre-financing payments by year of their accrual and by Member State.

Commission's response:

As such a reporting has not been done before, it will take a significant development time so as to be sure that reliable information is produced. However, the Commission would like to draw the attention to the fact that simply comparing the amounts between Member States would not provide any relevant insight on the use of funds.

66. (§111 - 2012/PAR/0363) The Parliament is worried since EUR 4,8 billion from the previous programming period 2000-2006 was paid from the Union budget as pre-financing to projects in the structural domain as of 31 June 2013, which neither have been cleared nor had the amounts been recovered by the Commission or the Member States; demands information on the state of play of those projects and information about the schedule for recovery or clearance of those funds.

Commission's response:

For agriculture, there is an open enquiry regarding Objective 1 national Greece (started on 13/11/2013). It is foreseen to be concluded during 2014.

The enquiry was launched because the winding-up report submitted by the Greek authorities for the above-mentioned programme indicated an overall error rate

upon closure above the generally accepted error rate of 2% according to the Guidelines on closure of assistance (2000-2006) from the Structural Funds. The competent national authorities did not agree with the corresponding financial reductions. The latest communication from Greece in respect was on 19 September 2013.

The Greek authorities replied to the observations raised on 13/01/2014. By letter dated 5/03/2014, the Commission's services invited the national authorities to a bilateral meeting which will take place on the 27/05/2014. The duration of the enquiry is in the view of the Commission fully justified and can hardly be done faster given the Member States' legitimate right to presents its argument before a final decision is made by the Commission

67. (§112 - 2012/PAR/0364) The Parliament demands a detailed breakdown and a detailed explanation of the EUR 2,3 billion of pre-financing that: (a) had been adjusted due to technical corrections made to the opening balance when accruals-based accounts were first prepared or (b) had been transferred from the Commissions balance sheet to other Union bodies (agencies and joint undertakings) at the time of their creation.

Commission's response:

This request would be a major and time consuming exercise. The Commission highlights that the opening balance sheet was thoroughly audited by the Court of Auditors at the time and each year the pre-financing amount has been, understandably, the most scrutinised amount on the EU balance sheet. Since 2007 no major issues with pre-financing have been identified by the Court.

68. (§113 - 2012/PAR/0365) The Parliament is worried that the Commission received in the development and cooperation area only guarantees for a total of EUR 700 million while an amount of EUR 10,1 billion in pre-financing has already been paid; expects the Commission to undertake the necessary steps to minimise the credit risk.

Commission's response:

A global risk assessment has been undertaken in 2012 by the Commission in order to establish guidelines for asking or not asking for a pre-financing guarantee. The replies are striking: most EU Delegations have never cashed a guarantee. This implies that the important amount of work requested from sub-delegated authorizing officers in managing these guarantees seems disproportionate to their real added value. The provision of unnecessary pre-financing guarantees results in ineffective use of the Commission's personnel as well as financial resources. The deterrent effect of guarantees should however not be underestimated, and it is undisputed that we would face more problems of reimbursement of pre-financings without them.

The question at stake is therefore to determine the cases where requesting a pre-financing guarantee does add value to the protection of EU financial interests, while reducing the total number of guarantees to a manageable level and otherwise limiting the risks linked to pre-financing payments. The decision to request a pre-financing falls consequently under the responsibility of the Authorizing Officers, who must carry out a risk analysis, taking into account the value of the contract, its subject matter, its duration and pace and the structure of the market (works, supply and services). It is also not authorized for low value

contracts (<60.000 EUR). For grants, it is usually not requested from NGOs, organisations that have signed a FPA, government departments or public bodies, and it is not allowed if the Coordinator is an International Organisation.

69. (§114 - 2012/PAR/0366) The Parliament urges the Commission to prepare and publish a 'long-range cash flow forecast', projecting future payment requirements to ensure that necessary payments can be met from approved annual budgets.

Commission's response:

The Commission is taking the recommended action.

Pursuant to article 38§3f of the Financial Regulation, the Commission will attach to the Draft Budget 2015 a summary statement of the schedule of payments for 2014, 2015 and 2016.

This schedule will cover for each budget line also the outstanding commitments, commitments of the current year and the request for 2015.

Information on the long-term budgetary needs of the EU will also be included in the report sent by the Accounting Officer of the Commission to the Parliament and Council in September in accordance with the Financial Regulation article 150§4.

70. (§115 - 2012/PAR/0367) The Parliament recalls its proposal for a full-time Commissioner for Budgetary Control.

Commission's response:

The Commission takes note of the Parliaments proposals but considers that it cannot commit the future President of the new Commission and therefore cannot prejudge the allocation of the portfolios of the members of the new Commission.

71. (§116 - 2012/PAR/0368) The Parliament calls on the Commission to shield the Union budget from the resulting risk of irregular payment by applying financial corrections in the event that such weaknesses in Member States' management and control systems are found; calls, therefore, on the Member States and the Commission once again to urgently reinforce first-level checks to address this unacceptably high level of mismanagement.

Commission's response:

The Commission considers this request to be implemented as, under the shared management of the CAP, the Member States are responsible for the first level controls before payments to the beneficiaries and the Commission systematically applies net financial corrections to protect the EU budget in all cases where its supervision of the proper functioning of the Member States management and control systems reveals deficiencies.

In the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, the Member States assume the primary responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules. The role of the Commission is to supervise, by verifying the effective functioning of Member State's management and control systems through audits (including on-the-spot) and systematically applying net financial corrections to protect the EU budget where deficiencies are identified.

Between 2011 and 2013 some 300 audit missions were carried out. Regarding net financial corrections, in 2013, decisions were adopted by the Commission in

respect of 1.1 billion EUR covering the final outcome of 147 individual conformity clearance procedures.

See also reply to request 2012/PAR/0307

72. (§118 - 2012/PAR/0369) The Parliament notes that the lack of reliability of the first-level checks performed by some Member States undermines the credibility of the annual activity reports drafted by the Commission services and the Synthesis Report adopted by the Commission, as they are partially based on the results of the checks performed by the national authorities; reiterates, consequently, its previous demand that the Commission establish reliable and objective annual activity reports.

Commission's response:

The Commission, as outlined in the Letter of Commissioner Semeta to the EP CONT Committee of 10 March 2014, committed itself to address weaknesses in Member States, to put in place actions to remedy the situation and to report on it, inter alia, in the annual activity reports. These actions include measures regarding the quality of the first-level checks performed by the Member States. The 2013 Synthesis report also reflects the commitments taken on this aspect.

73. (§122 - 2012/PAR/0370) The Parliament requests the Commission to forward each year to Parliament the annual summaries of the final audit reports and of the controls carried out by the Member States pursuant to Article 59(5)(b) of Regulation (EU, Euratom) No 966/2012 at the latest two months after their receipt by the Commission under the necessary safeguards laid down in the Interinstitutional Agreement of 2 December 2013 between Parliament and the Commission on budgetary discipline, cooperation in budgetary matters and sound financial management.

Commission's response:

The Commission has accepted and is implementing the Parliaments request to translate and to forward all annual summaries to the Parliament as soon as possible. However, taking into account the time needed for translation, the request to forward the annual summaries to Parliament within two months upon receipt is technically not feasible.

74. (§124 - 2012/PAR/0371) The Parliament requests the Commission, after the establishment of the template, to actively and constantly encourage the Member States to use that template in order to receive useful and reliable national declarations from all Member States.

Commission's response:

See response to 2012/PAR/0342.

Revenue

75. (§128 - 2012/PAR/0372) The Parliament notes that the Court of Auditors was unable to demonstrate the correctness of EUR 8 million of the EFTA contribution (EUR 240 million); calls on the Court of Auditors and the Commission to investigate this finding and report on the correctness of the EFTA contribution in the follow-up to the discharge for 2012.

Commission's response:

The Court's audit did find administrative weaknesses in the procedure for an ad hoc calculation which arose as an exception to the standard procedure which determines the contributions of EFTA states, ex-ante. Atypically, the calculation identified by the Court, related to the ex-post contribution of one EFTA state to one EU programme over several years. The Court's audit did not find errors in the calculations or payments of other revenue transactions.

The Commission services are reviewing the administrative procedure for the calculation of atypical contributions by EFTA states such as those which are determined ex-post in order to prevent the recurrence of the weaknesses identified by the Court.

76. (§129 - 2012/PAR/0373) The Parliament calls on the Commission to inform the Committee on Budgetary Control during the follow-up to the 2012 discharge procedure what efforts have been made to remove reservations regarding the communication of data from the GNI field.

Commission's response:

The general reservations on EU-25 Member States were lifted in January 2012 and replaced by 103 specific reservations and six transversal reservations (which are specific reservations that are the same for all MSs). The general reservations on Bulgaria and Romania were lifted in January 2013 and replaced by 19 specific reservations and six transversal reservations (which are specific reservations that are the same for all Member States).

In September 2013, two more country specific reservations were placed, one for Austria and one for the United Kingdom. In August and September 2013, the Commission notified the EU-27 Member States that it reserved its position on two additional transversal issues. All of the country specific and transversal reservations have as their target date 22 September 2014 (excl. the latest UK specific reservation the target date of which is 22 September 2016).

In September 2012, the Commission issued a general reservation on Greek GNI data of 2008. In September 2013, the Commission extended the general reservation on Greek GNI data of 2008 to 2009.

By May 2014 the Commission has lifted fifteen of the Member States' country specific GNI reservations; and 72 of the transversal GNI reservations (which is approximately one third of all 216 transversal reservations).

77. (§131 - 2012/PAR/0374) The Parliament wishes to be informed what measures the Commission has taken to remove existing reservations relating to the national VAT system of the Member States, which may date from as long ago as the 1990s.

Commission's response:

Together with the Member States concerned, the Commission addresses the potential shortcomings underlying reservations during VAT own resource inspections and specially arranged management visits. This approach has proven effective.

At the end of 2012 there were 158 VAT reservations, by May 2014 the total had been reduced to 108.

At the end of 2012, 17 reservations were being monitored as being long-outstanding (that is set by the Commission more than 5 years before and with the financial consequences then unresolved). Of those long-outstanding reservations four covered at least one year prior to 2000, with the earliest year being 1995. By May 2014 twelve of the long-outstanding reservations from 2012 had been lifted and information had been obtained to lift a thirteenth. For the four remaining significant progress had been achieved: (i) a Court judgment in 2013 has clarified precisely what types of transaction need to be included in the compensation; (ii) the coverage of the reservation has been reduced from motor vehicles and fuel, to fuel only; (iii) the Member State has provided revised calculations which will be the subject of verification by the Commission during 2014; (iv) it has been agreed that a full audit will be conducted by an independent third party to identify all the ramifications of accounting adjustments which, at first sight, would have the effect of reducing the Member State's own resource liabilities. (The two latter items both include the year 1999.)

The Commission will continue to apply the same methodology in the future.

78. (§134 - 2012/PAR/0375) The Parliament regrets that Belgium, Finland and Poland, which the Court of Auditors visited in 2012 in the course of its audits, are characterised by shortcomings in customs surveillance at national level in connection with retrospective audits and risk analysis; calls on the Commission to investigate these shortcomings.

Commission's response:

The Commission will follow up the shortcomings found by the Court and will request the Member States concerned to take remedial measures.

79. (§135 - 2012/PAR/0376) The Parliament calls on Member States and the Commission to step up their customs surveillance, especially in the major ports; calls on the Commission to report on the matter during the preparation of the discharge for 2013.

Commission's response:

The Member States are responsible for carrying out customs controls. In recent years in its inspection of the Member States' systems and procedures for the collection of traditional own resources the Commission has put special emphasis on Member States' risk management and control systems. Three thematic reports consolidating the annual results of these inspections (Member States' control strategy, local clearance procedure and external transit procedure) have already been presented to the Member States. In 2013 the Commission carried out inspections of End Use and the entry of goods into the EU. In the latter inspection, the procedures at major EU ports in 8 Member States were inspected. By the end of

2014 thematic reports on these themes are planned. Thematic reports provide a global picture of the situation per Member State, cover all the shortcomings identified and give an account of the follow-up action taken. These reports can be made available to the European Parliament on request.

80. (§140 - 2012/PAR/0377) The Parliament calls on the Commission to use all means to enforce the obligation of Member States to provide information [on VAT fraud, and in particular the so-called carousel or missing trader fraud] in a timely manner to the Commission.

Commission's response:

There is currently no legal obligation in the Regulation on Administrative Cooperation and the fight against VAT fraud (Regulation 904/2010) for Member States to provide information on VAT fraud and carousel/missing trader fraud in particular. Therefore, the Commission has no real means to enforce this.

Nevertheless, the Commission tried to enforce the provision of information in relation with administrative cooperation through annual statistics. As there was no majority amongst Member States to make this obligatory, the delivery of the benefits and results of administrative cooperation is only optional (box 22 of the Model – annex IV of Regulation 79/2012).

The only information available in this context therefore derives from the annual report to be submitted by the Eurofisc network to the Standing Committee on Administrative Cooperation. This report covers also information on carousel/missing trader fraud. Although, the Commission pleads during the annual plenary meetings of Eurofisc that the report must include detailed information on the fraud covered detected and prevented in the working fields (and will continue to do so), it is up to the Member States to decide on the content of the report.

Agriculture

81. (§143 - 2012/PAR/0378) The Parliament calls on the Commission and the Court of Auditors, in the context of the adversarial procedure, to reach agreement on the eligibility criteria for permanent pasture.

Commission's response:

There is no disagreement between the Commission and the European Court of Auditors.

82. (§151 - 2012/PAR/0379) The Parliament calls for this new approach [approach used by DG AGRI to calculate the residual error rate for decoupled area aid in 2012] to extend to all CAP expenditure in DG AGRI's next Annual Activity Report.

Commission's response:

The requested action has been already done in the framework of the AAR 2013.

In 2012 DG AGRI adjusted its method to estimate a more comprehensive residual error rate (RER) by taking into account all available information (its own audit reports, those of the ECA and CB). This assessment was carried out in respect of decoupled direct aids in the AAR of 2012 and extended after further fine-tuning in the AAR 2013 to all CAP expenditure.

The methodology for calculating the RER will be further developed next year (AAR 2014) in the direction of a multiannual cumulative approach that will reflect the impact of the ex post net financial corrections imposed by the Commission (and recoveries from beneficiaries by Member States themselves) on the residual risk to the EU budget.

See also reply to request No 2012/PAR/0332.

83. (§153 - 2012/PAR/0380) The Parliament urges the Commission, in cooperation with the Member States, to address the problems with regard to permanent pasture and ensure that it is correctly recorded in the LPIS; urges the Commission to inform Parliament on a six months basis on progress made.

Commission's response:

The Commission has already taken the requested action. The Commission is already working with the Member States on ensuring a common understanding and as such the request is largely put in practice. The Member States for which there is a structural problem are addressing it for the moment (as part of an action plan). It should be borne in mind that the implementation of such exhaustive work requires time.

For this reason, however, the requirement to inform the Parliament every six months is from this point of view "excessive" and the Commission will not be taking the requested action to report on a six-month basis (AGRI "political decision" to take here on whether reporting to CONT outside the discharge hearing process is an orientation to take or not (precedent).

The Commission replied to the respective recommendation from the Court of Auditors: "To enable maintenance of agriculture in specific areas, the Member States can implement a procedure which ensures that the eligible area within these parcels is considered for payment, in so far that overall the parcel can still be

considered as 'agricultural'. Guidelines including examples on how to assess the area to be taken into account have been discussed with and distributed to the Member States over the recent years" (paragraph 3.37, recommendation 1).

84. (§154 - 2012/PAR/0381) The Parliament asks the Commission and the Member States to take immediate remedial action when administrative and control systems, and/or IACS databases, are found to be deficient or out of date.

Commission's response:

The Commission is taking the requested action. When shortcomings are identified in the Member States' management and control systems, including regarding the effectiveness and up-date of IACS databases, action is taken at two levels: first through the opening of conformity clearance procedures to cover the financial risk for the EU budget; Secondly, whenever necessary and appropriate, by asking the Member States to set up action plans to remedy the deficiencies.

The first course of action is therefore for the Member States to set up and keep up-dated effective management and control systems.

85. (§158 - 2012/PAR/0382) The Parliament expects the Commission to make all efforts to reduce the duration of the conformity procedure in standard cases to maximum two years.

Commission's response:

The Commission agrees that there is scope for significantly speeding up the conformity procedure and will continue its efforts to streamline the procedure for net financial corrections.

Firstly, the new CAP Horizontal Regulation Reg. 1306/2013 (which was adopted by the European Parliament and the Council on 17 December 2013) describes more clearly the nature, scope and sequence of the successive steps. For instance, it establishes a clear demarcation between the contradictory phase, during which the Member State is responsible for providing all information (facts and arguments) that may contradict the initial findings of the Commission, and the conciliation phase during which only information made available in the previous steps of the conformity procedure may be considered. It also describes the three different types of financial corrections and the conditions for using them. For instance, flat rate corrections shall be applied in cases where the Member State has not provided to the Commission the information that would be necessary for to identify more precisely the financial damage to the Union.

Secondly, provisions in the delegated act set out more precisely the method and criteria for calculating the financial correction in due proportion of the risk of irregular expenditures. For instance more stringent rules and higher net financial corrections will apply where there are three or more different deficiencies in a control system. Commission guidelines will further detail the more technical elements.

Thirdly, the rules governing the conformity procedure, established in an implementing act formally adopted on 6 August 2014, provide for mandatory deadlines for both the Commission and the Member States at each step of the conformity procedure. DG AGRI already implements a closer monitoring of the management of the procedural delays.

Finally, in order to enhance the effectiveness of the audit work carried out by DG AGRI an audit training program was incorporated in the DG AGRI's strategic training framework from 2013. This program includes, notably, actual certification of all auditors.

However, while there is scope for significantly speeding up the conformity procedure so that in the simplest cases the conformity procedure can be managed in two years, there can be no guarantee that each and every case can be managed in less than two years. For more complex cases the two phases of the conformity procedure (contradictory followed by conciliation), the Member State's right to challenge the Commission's findings and the need for the correction to be in proportion to the seriousness of the deficiency will not always make it possible to manage the procedure in less than two years.

86. (§159 - 2012/PAR/0383) The Parliament urges the Commission and the Member States to ensure that payments are based on inspection results and that on-the-spot inspections are of the quality necessary to determine eligible area in a reliable manner.

Commission's response:

The Commission does not have the resources to handle every year the 50 million transactions (over 60 billion EUR) for 8 million final beneficiaries of the CAP. Under shared management, the Member States have to assume the primary responsibility that payments are disbursed to the final beneficiaries only after ex-ante administrative and on-the-spot checks have been carried out. CAP rules provide that for each aid support scheme there is an ex-ante administrative check of 100 % of the aid applications, cross-checks with other databases where appropriate as well as pre-payment on-the-spot checks of a sample of transactions ranging between 1 % and 100 %, depending on the risk associated with the regime in question. In this context, the by far most important system is the IACS (Integrated Administration and Control System), which in financial year 2013 covered 92 % of EAGF expenditure

The role of the Commission is to supervise the effective functioning of Member State's management and control system through systems audits carried out on-the-spot. The resulting conformity clearance procedures systematically lead to the imposition of net financial corrections that protect the EU budget where systems deficiencies or irregular spending are detected.

The new regulatory framework governing the CAP until 2020, including the delegated and implementing acts, consolidates the rules on controls to be performed by the Member States and reinforces the tools for the supervision by the Commission. For instance, the conformity procedure (which results in net financial corrections) has been streamlined and the interruption and suspension procedures have been aligned with the other policies under shared management.

87. (§160 - 2012/PAR/0384) The Parliament urges the Commission to ensure that the design and quality of the work performed by the directors of paying agencies and the certification bodies provide a reliable basis for the assessment of the legality and regularity of underlying transactions.

Commission's response:

In preparation of the new programming period, and in line with the increased responsibility of Certification Bodies to cover legality and regularity of expenditure, a new guideline has been drafted. To this end, numerous bilateral meetings were organized with Certification Bodies in 2013. In addition, several expert group meetings with the Certification Bodies were organized in 2013 and 2014, with the aim to discuss the draft guideline and to share experiences with the Certification Bodies. The new approach will be applicable as from 2014 on for IACS based schemes, and from 2015 on for the non-IACS schemes. Once operational and properly applied this new methodology should provide a reliable basis for the assessment of the legality and regularity of the underlying transactions.

88. (§165 - 2012/PAR/0385) The Parliament calls on the Commission and the Court of Auditors to harmonise the treatment of public procurement errors in shared management without delay and to report to the discharge authority on the changes.

Commission's response:

The Commission and the European Court of Auditors usually agree on the type of errors but take different views on the way to quantify such errors, despite efforts made to try and harmonize their positions. In 2009, the Commission invited the Court to harmonize methodologies for breaches on public procurement rules and to agree on the criteria to be applied. The Court declined this invitation. The Court indicated to the European Parliament in previous discharge exercises that while it quantifies the error as 100% for quantifiable errors (but not compliance errors), it understands that the Commission needs to quantify financial corrections on a different basis with rates of corrections 2%, 5%, 10%, 25% and to 100% through the Commission guidelines for financial corrections under public procurement.

Given this situation the Commission is not in a position to fulfil this request of the European Parliament as long as the Court of Auditors prefers applying its own methodology.

However, the Commission has adopted in December 2013 a decision (C(2013)9527) setting out guidelines for determining financial corrections for non-compliance with the rules on public procurement. This will ensure a harmonized treatment of PP errors between all Commission services responsible for shared management funds. These guidelines are also addressed to the Member States in order to ensure a harmonized treatment of irregularities in PP across Member States.

89. (§166 - 2012/PAR/0386) The Parliament calls on the Commission and the Member States to ensure that the existing rules [concerning VAT or public procurement] are better enforced.

Commission's response:

The enforcement of existing rules is at the core of the clearance of accounts system. The Commission addresses recommendations for improvements to the national authorities and imposes financial corrections on Member States when risks to the fund have been identified. This will continue with particular focus on the issues highlighted by the Court of Auditors as regards VAT and public

procurement as these have also been found by the Commission during its own audits.

As regards public procurement, the Commission has adopted new guidelines for determining financial corrections for non-compliance with the rules on public procurement in December 2013 (Commission Decision C(2013)9527).

The Commission would also like to underline that an error in PP does not necessarily mean fraud or misuse of EU funds. Very often, the policy objectives for the individual action have indeed been met and the taxpayers' money has not been lost.

For the coming 2014-2020 programming period, VAT rules are jointly set for the ESI Funds under the Common Provisions Regulation, which in its Article 69(3) is clearly spelt out that value added tax is not eligible for a contribution from the ESI Funds except where it is non-recoverable under national VAT legislation. Therefore, in period 2014-2020 public law bodies could also claim VAT expenditure as eligible if under national laws, VAT is non-recoverable for them.

90. (§171 - 2012/PAR/0387) The Parliament calls on the Commission and the Court of Auditors, in the context of the adversarial procedure, to reach agreement on the financial clearance procedure.

Commission's response:

The Commission cannot accept the request to open a discussion with the European Court of Auditor because it would imply reopening the discussions on principles and legal rules that were confirmed by the two co-legislators in December 2013.

Since 1995, the clearances of accounts procedures for the CAP include an annual financial clearance of the accounts of each paying agency and a multi-annual conformity clearance covering the conformity of the underlying transactions. The new Financial Regulation adopted in 2012 confirmed this distinction and extended it to all policies and expenditure under shared management.

The distinction between the financial clearance procedure on the one hand, which shall cover exclusively the completeness, accuracy and veracity of the annual accounts reported by the paying agencies, and the conformity clearance procedure on the other hand, was established on the basis of previous experience that demonstrated that for expenditure under shared management a single procedure was not efficient.

This distinction was one more time confirmed in December 2013 when the co-legislators adopted the horizontal rules governing the financial management of the CAP.

91. (§174 - 2012/PAR/0388) The Parliament requests that the Commission set out criteria for the calculation of flat rate corrections that will ensure that the nature and gravity of the deficiency is adequately taken into account.

Commission's response:

The Commission has taken the requested actions, and financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU budget. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation. Where this is not possible with proportionate efforts, flat-rates are

used which take account of the nature and gravity of the deficiencies identified in the national management and control systems.

The rules for application of financial corrections are basically established in Regulation EC No 1306/2013, which requires the precise criteria for estimating the risk to the EU budget to be detailed in the Delegated Act. In the case of flat-rate corrections, the Delegated Act specifies how the severity of the deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk of errors is likely to be higher when there are several deficiencies).

92. (§179 - 2012/PAR/0389) The Parliament calls on the Commission to continue to provide guidance and assistance to Member States by means of best practice, through systematic interruptions of payments, financial corrections according to the severity of the error and also, in addition, by drawing up short term and ad hoc action plans.

Commission's response:

New resources dedicated to the implementation of the direct payments, including greening, which will support the Member States with reinforced means in their preparative activities for a smooth implementation of the CAP reform in 2015 including the dissemination of best practices have been assigned within DG AGRI to these tasks.

Actions plans have recently been set in motion in the area of Direct Payments and non-IACS support measures. They are based on a stock-taking of the root causes of errors as encountered in DG AGRI's audits in Member States and as found by the European Court of Auditors. The DG also drew on the experiences of its policy units. The action plans contain corrective measures that should help to avoid certain types of errors in the future. A common theme to the action plans in terms of corrective steps is enhanced communication with and guidance of Member States so as to address errors that occur for instance due to at times inadequate checks of Member States authorities. Formats like the bi-annual conference of the directors of the paying agencies and its sub-bodies will continue to constitute an important interface in this regard.

If Member States refuse to implement action plans to remedy deficiencies or are unable to do so within a reasonable period of time, the level of financial correction will systematically be increased in proportion to the additional risk to the EU budget. In addition, following the adoption of the new CAP Horizontal Regulation at the end of 2013, the Commission will be able to suspend payments where MS are not able to remedy to serious deficiencies.

See also reply to request no 2012/PAR/0317.

93. (§180 - 2012/PAR/0390) The Parliament calls on the Commission to ensure in the area of rural development that uniform standards and procedures are being equally applied and observed both by its approving and auditing bodies.

Commission's response:

The requested action has been taken. The Commission services have prepared substantial guidelines on verifiability and controllability and on eligibility conditions and selection criteria as well as individual measure fiches for each of

the measures in programming period 2014-2020 which will instruct both Member States and the Commission services in programme preparation and implementation, including audits.

94. (§181 - 2012/PAR/0391) The Parliament calls on the Commission to ensure that any future guidelines on eligibility conditions and selection criteria for the new programming period 2014-2020 of EAFRD are being equally set as a common standard not only for national competent bodies and paying agencies but also for its approving and auditing bodies.

Commission's response:

The requested action has been taken. The Commission Guidelines on eligibility conditions and selection criteria have been prepared by the Commission services and discussed with Member States in the Rural Development Committee. These guidelines will instruct both Member States and Commission services in programme preparation and implementation, including audits.

95. (§184 - 2012/PAR/0392) The Parliament expects the Commission to provide those amounts [amounts declared irrecoverable from the EAGF due to insolvency of the beneficiary] each year in its Annual Activity report and elaborate ways how Member States can diminish the risk of funding beneficiaries at the brink to insolvency.

Commission's response:

The requested action has been taken. In Annex 10 – Part 5 of the AAR 2013, the Commission is providing for such information. With regard to the ways to diminish the risk of funding beneficiaries at the brink to insolvency, it really depends on the specific sector regulation provisions (e.g. compulsory assessment of a business plan for some EFARD investment measures)

96. (§185 - 2012/PAR/0393) The Parliament notes that all amounts in relation to EAFRD debts declared irrecoverable in the financial years 2007-2012, i.e. EUR 0,9 million of debts, do not have any valid justification; asks the Commission to explain what it is planning to do in this regard.

Commission's response:

The Commission is taking the requested action. Following the provisions of Article 32(7) of R.1290/2005 the MS can decide to halt recovery subject to the conditions laid down in Art 32(6) only after closure of the program. Consequently, all amounts in relation to EAFRD debts declared irrecoverable in the financial years 2007-2012, i.e. EUR 0.9 million of debts, are not valid and the most material amounts will be followed-up through some conformity enquiries.

97. (§186 - 2012/PAR/0394) The Parliament calls on the Commission to take a more pro-active approach in solving such nuisances [insignificance of amounts to recover] in the coming MFF when they come to the Commission's attention.

Commission's response:

With regard to EAFRD, some Paying Agencies were obliged to undertake recoveries from beneficiaries even if small amounts are concerned, since Article 33 (7) of R.1290/2005 was only applicable after closure of a rural development program. For these small amounts costs for the recovery might exceed the amount to be recovered. Since 1 January 2014, this rule is not any longer valid and Article

54 of the new Regulation 1306/2013 shall apply, i.e. new regulation foresees for the application of de minimis rules also for EAFRD debts before the closure of the program.

98. (§188 - 2012/PAR/0395) The Parliament demands that the latter gold-plating forms be addressed [gold-plating appearing to be disproportionate and costs outweigh the benefits ('bad' gold-plating practices)].

Commission's response:

The requested action has been taken. Most of the "bad" gold-plating practices have been identified in the Commission Staff Working Document on the assessment of root causes of errors and corrective and preventive actions, as the Study also confirms. The responsibility of introducing "bad" gold-plating in the implementation of the rural development programmes lies mostly on Member States. The ex-ante assessment on verifiability and controllability of the measures introduced in Article 62 of Regulation (EU) No 1305/2013 will help MS to identify and eventually correct those practices.

99. (§189 - 2012/PAR/0396) The Parliament requests in this respect [gold-plating] the immediate implementation of the so-called "quick wins" to assess potential costs together with expected policy benefits when introducing ambitious requirements and commitments, to tackle problematic administrative and procedural requirements, as well as to avoid ambiguous and unclear requirements.

Commission's response:

The requested action has been taken. 'Quick wins' refer mainly to programme modifications that allow simplification on the implementation of certain measures and improvement of the system of controls. Indeed, since 2012 Managing Authorities and Paying Agencies have been requested to analyse the root causes of errors and as a consequence, some Member States have amended their programmes introducing clearer requirements and commitments (e.g. organic agriculture in Portugal) which allows an automatic improvement in the error rate.

100. (§190 - 2012/PAR/0397) The Parliament asks also for structural changes leading to long-term solutions such as a permanent knowledge-sharing platform among managing authorities and paying agencies across the Union so that EAFRD specific bodies can learn by examples and best practices when discussing areas of ambiguity as well as overly complex requirements and controls; demands in this respect the accessibility to this platform in all Member States.

Commission's response:

The requested action has been taken. The Commission services have organised up to now 3 Seminars on Error Rates with Paying Agencies and Managing Authorities during 2013 and 2014, which one of main goals is the exchange of good practices and examples to correct the level of error rates, including gold-plating issues. Furthermore, Article 62 of Regulation (EU) No 1305/2013 [EAFRD] also obliges MS to conduct and monitor an ex-ante and on-going assessment between Paying Agency and Managing Authority on the verifiability and controllability of measures. Finally, annual review meetings are organized at programme level, with participation of Managing Authority and the Paying Agency, in which error rate is dealt with.

Among the Paying Agencies of the Member States, different forums are also in place, such as the biannual Conference of Directors of Paying Agencies, the Learning Network of Paying Agencies or the Panta Rhei Group for IT developments.

101. (§191 - 2012/PAR/0398) The Parliament calls, in order to remedy shortcomings in LPIS systems, for action plans to be implemented promptly; calls, in the event of failure to comply with the deadlines, for proportionate reduction and suspension of monthly or intermediate payments to the Member States concerned in order to avoid creating a financial risk to the budget of the Union.

Commission's response:

The Commission is taking the requested action. The legal framework (Article 41 of Regulation No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the CAP) clearly provides for the conditions under which payments may be reduced or suspended. It may arise in particular when one or more key components of the national control systems do not exist or are not effective due to the gravity and persistence of deficiencies found and if the Member State is not in a position to implement in the immediate future the necessary remedial measures, in accordance with an action plan with clear progress indicators.

It has also to be noted that reductions and suspensions are temporary tools and that the financial risk to the EU budget is ultimately covered by net financial corrections stemming from the conformity clearance procedures.

102. (§192 - 2012/PAR/0399) The Parliament calls on the Commission to offset the entire financial risk of such errors [the errors detected by the Court of Auditors in 2006 in France and Portugal] in the Union budget through net corrections.

Commission's response:

The Commission is taking the requested actions, but it would like to emphasize that their accomplishment depends to a large extent on the progress made by the MS in addressing the deficiencies (for example through action plans).

The Court confirmed in its Annual Report 2008 that EAGF expenditure was free from material error (cf. paragraph 5.62). As regards the IACS, the Court reiterated that it "generally is an effective and control system for limiting the risk of irregular expenditure" (cf. paragraph 5.64).

The Commission has taken the following measures to address the deficiencies in the functioning of the national system in Portugal and France:

In Portugal: an action plan was launched in 2010 and reinforced in 2011. Audit missions carried out in 2013 confirmed that the action plan had been implemented and that the LPIS deficiencies had been addressed for claim year 2013. The results in respect of the error rate will be measurable by mid-2014 i.e. final payments for claim year 2013. While the deficiencies identified persevered for several years, the EU budget was protected via the conformity clearance procedures which ensured the claw back of over 100 million EUR in net financial corrections for the claim years 2006 to 2008. For the subsequent claim years conformity clearance procedures are on-going in order to ensure that any undue expenditure is recovered:

- Claim years 2009-11: finalization of clearance procedure expected by end by end-2014;

- Claim year 2012: finalization of clearance procedure expected by mid-2015.

In France prior to 2008 no serious deficiencies were detected which would have merited a reservation, an action plan or significant financial corrections. As deficiencies were detected from 2008, a number of significant financial corrections have been proposed in respect of financial years 2008-2010 for which the clearance of accounts procedure is very advanced. Conformity procedures are also ongoing for the subsequent years. In addition, in the meantime (in 2013) an ambitious and thorough action plan for France has been set up to cover the weaknesses in the LPIS, the controls of cross-compliance, and the controls for non-area coupled aids. A mission carried out in February 2014 showed that while the plan is on track, some intermediate commitments have not been met. Consequently, France has been requested to tackle these issues and at the same time a more detailed reporting has been requested so as to enable a more hands-on follow-up by DG AGRI.

103. (§194 - 2012/PAR/0400) The Parliament considers it necessary, however, for the conformity procedure to have its full effect to accelerate the procedure and to further improve the criteria and methods for the application of net financial corrections beyond the new guidelines foreseen.

Commission's response:

The Commission has taken the requested actions; however it considers that to 'go beyond the new guidelines' is disproportionate.

The Commission shares the view of the Parliament and is taking actions to improve and speed up the conformity procedure as following:

- The new Horizontal Regulation Reg. which 1306/2013) was adopted by the European Parliament and the Council on 17 December) describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections.

- Provisions in the delegated act (method and criteria for calculating the financial correction) and implementing acts (details of the conformity procedure, with deadlines for each step of the procedure (adopted on 6 August 2014) further streamline the legal framework and limit the risk of unnecessary delays.

- On that stronger basis, DG AGRI will intensify its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines.

As regards financial corrections the Commission determines the amount on the basis of proportionality principle and taking into consideration the nature and gravity of the infringement. Where it is not possible to calculate the actual /extrapolated damage caused to the EU budget flat-rates are used. Also, new guidelines were established for applying financial corrections in case of non-compliance with the public procurement rules.

Where weaknesses identified are so serious that they constitute a complete failure to comply with EU rules the rate of correction may be fixed at an even higher rate, up to 100 % of the expenditure concerned. Going beyond would de facto correspond to applying sanctions for which there would be no EU legal basis.

See also reply to request no 2012/PAR/0307

104. (§201 - 2012/PAR/0401) The Parliament calls on the Commission to step up monitoring of national and regional management and control systems in the light of this finding [errors of the same kind continue to be identified, often in the same Member States], and to ease monitoring in countries where management and control systems have proved reliable.

Commission's response:

The Commission has taken the requested action. Through the results of its audit enquiry "review of the work of audit authorities", DG Regional and Urban Policy assesses if it can rely principally on the audit authorities' audit opinion and error rates for its annual assurance and implement Article 73 of Regulation (EC) No 1083/2006 (through the latter, DG Regional and Urban Policy relies on the audit authority in a formal manner and does not carry its own audits any longer). Up to end 2013, DG Regional and Urban Policy carried out a total of 232 missions on the spot cumulatively since 2009, including 48 fact-finding missions to validate the Annual Control Reports' error rates. Audits covered cumulatively the main 47 ERDF/CF audit authorities - out of 73 - responsible for more than 96% in total of the ERDF/CF total allocation.

Audit work included the on-the-spot re-performance of audits at the level of individual beneficiaries in order to test the reliance which can be placed on the audit work carried out by the audit authorities (in 2013, this was the case for 24 out of 28 audit missions carried out on the spot). As a result, and based on the audit reports issued so far, the Directorate-General concluded that the work of 40 audit authorities in charge of auditing around 90% of ERDF/CF allocations for the 2007-2013 period can in general be relied upon.

The extensive audit work under this enquiry, which represents half of the on-the-spot audit work on average since 2009, has considerably contributed to DG Regional and Urban Policy's overall assurance for the programmes covered by the reviewed audit authorities through many aspects, such as increased assurance that the annual control reports and reported audit opinions and error rates are reliable; reduction of errors; concrete remedial action plans and significant capacity-building for audit authorities. This extensive audit work has also contributed to interruptions / pre-suspensions during the year and to the necessary reservations expressed in the annual activity report when deficiencies had not been remedied (for example in the case of the Slovakian audit authority).

In accordance with Article 73 of Regulation (EC) No 1083/2006 and as a direct result of its audits to review the work of audit authorities, the Directorate-General has concluded that it could formally rely on the work of 17 reviewed audit authorities presenting satisfactory audit results and covering 57 programmes, taking also into account the effective functioning of the management and control system of these concerned programmes (second condition under article 73).

At end 2013, DG EMPL had audited 85 AAs out of 91, covering 99% of the ESF total allocation. The Commission selected most audit authorities to be audited on the basis of an annually updated risk assessment which includes, among several risk criteria reviewed over time, programmes allocations.

Using also other sources of assurance, DG EMPL concluded that for the year 2013 the work of 106 audit authorities out of 117 can be relied upon.

The results of the audit work are used by the Commission to assess whether it can rely principally on the opinion of the Audit Authority with regards to the effective functioning of the systems. In this case, the Commission carries its own on-the-spot audits only if there is evidence to suggest shortcomings in the system affecting the expenditure certified to the Commission. In application of article 73 of the Regulation 1083/2006, DG EMPL has informed in 2013 one additional Audit Authority (DE-Hessen) that it will mainly rely on their opinion. In total, 10 Audit Authorities fulfil the conditions for article 73 (BE (2 AAs), DE (4), ES (1), IT (2) and NL (1)). In addition, 1 Audit Authority (IT-PON GAS) has been granted the same reliance on the basis of the article 74 of the Regulation 1083/2006.

Guidance is continuously improved and discussed with audit authorities. In particular guidance on sampling methods for audit authorities was updated in April 2013 and accompanied by detailed sampling training sessions/workshops with most audit authorities in order to clarify any implementation difficulties encountered (practical workshops in November 2012 in Brussels for audit authorities from 22 Member States; on-the-spot seminars in Italy (end 2012), Germany, Spain, Ireland, Slovakia, Nordic and Baltic countries in 2013). Further written clarifications to the guidance notes on annual control reports, audit opinions and the treatment of errors, as a result of the June technical meeting, were also provided to audit authorities in December 2013. Guidelines laying down common rules on determining financial corrections to be applied for financial instruments were discussed with the Member States in 2013 and will be issued in 2014. This will help audit authorities quantify errors detected in the samples of operation they audit in a harmonised way, and thus further reinforce the reliability of reported error rates in this area.

105. (§207 - 2012/PAR/0402) The Parliament calls on the Commission on the basis of an independent audit procedure to perform audits of final beneficiaries and granting authorities in year 'n+1' in those Member States which have attracted attention because of shortcomings in administrative and audit systems in year 'n-1'; calls therefore for a comprehensible automatic system.

Commission's response:

The Commission has taken the recommended action and included in its audit strategy for cohesion policy focused and risk-based audits enquiries to tackle shortcomings at the level of managing authorities.

See reply § 5 – 2012/PAR/301

106. (§208 - 2012/PAR/0403) The Parliament calls on the Commission, during the 2014-2020 programming period, itself to audit, by means of random samples taken by itself, all operational programmes which have attracted attention because of the level of funding, the frequency of errors or shortcomings in supervisory and control systems.

Commission's response:

The term "random samples" is misleading in this context, since the EP seems to ask for risk based audits (see also request 2012/PAR/0325). The Commission is sampling on a risk base.

Concerning the request to increase the audits on managing authorities, please see reply to 2012/PAR/0402.

107. (§209 - 2012/PAR/0404) The Parliament calls on the Commission already to present them [audit guidelines] in the run-up to the 2013 budget discharge procedure; calls for clear indications, to this end, of the extent to which Member States and programmes which have attracted attention in the past are being subjected to a special audit approach and the extent to which net financial corrections can be accelerated; considers that this approach should also be reflected in forthcoming delegated acts.

Commission's response:

The Commission has taken the requested action and put in place a single audit strategy for the 2014-2020 period for ERDF, ESF, CF and EMFF for the years 2014/2015 (Ares(2014)1192851) that covers the requests raised by the EP and in time for the 2013 discharge.

108. (§210 - 2012/PAR/0405) The Parliament calls on the Commission to do everything in its power to shorten the adversarial procedures preceding the imposition of net corrections or interruptions of payments; calls on the Commission, before the 2013 discharge procedure, to report on the progress made.

Commission's response:

The Commission has taken the requested action. On the shortening of contradictory procedures for financial corrections, the Commission has committed itself in the 2008 Action Plan that contradictory procedures related to financial corrections have to be finalised within 24 months after the audit. The Commission is meeting this objective.

Concerning "the adversarial procedures preceding the [...] interruptions of payments", the Commission points out that there is no adversarial procedure to interrupt payment deadlines. An interruption is an administrative act that takes place without such a procedure.

The submitting of a proposal is understood preparing the delegated acts. The Commission has adopted delegated acts governing areas under shared management under the new Multiannual Financial Framework (MFF) 2014-2020. The delegated act based on the CPR provides detailed rules to enable the mechanism of financial corrections to work effectively by defining clearly the criteria for determining "serious deficiencies" which trigger the procedure for net financial corrections (NFC) (see Article 30 of Commission delegated regulation 480/2014 of 3 March 2014).

109. (§212 - 2012/PAR/0406) The Parliament impresses on the Commission that it needs to continue to pursue the greatest possible simplification in order to avoid to the maximum any possibility of error.

Commission's response:

The Commission notes that under shared management in cohesion policy, Member States draft the eligibility rules for programmes.

See reply § 4 – 2012/PAR/300

110. (§216 - 2012/PAR/0407) The Parliament expects the detailed and operational criteria that will allow the Commission to apply the notion of ‘serious deficiency’ to be laid down in a delegated act.

Commission's response:

See reply § 39, 4th indent – 2012/PAR/0315

111. (§219 - 2012/PAR/0408) The Parliament calls for a better coordination of public procurement rules at the level of all stakeholders and a simplification and harmonisation of rules and financial corrections.

Commission's response:

The Commission is taking the recommended actions. It has updated in 2013 its decision on the quantification of public procurement errors in shared management, including inter alia cohesion spending and rural development (see Commission decision C(2013)9527 final).

For a better coordination on the new guidelines on financial corrections for non-compliance with rules on public procurement, DG Regional and Urban Policy developed together with European Structural and Investments Funds (ESIF) DG's and jointly with DG Internal Market and Services a Public Procurement Action Plan. This includes regular exchanges in a working group to ensure coherent approaches to common problems and to identify gaps where common actions are required. The Action Plan covers i.a.:

SHORT TERM PRIORITY

- *the preparation of practical guidance for practitioners on avoiding of common errors linked to Public procurement in ESI Funded projects,*
- *country specific Action Plans in Member States with weaker administrative capacity,*
- *Pilot Integrity Pacts for public procurement and contract management*
- *Stock taking and analyses of Member States' lessons learnt, dissemination of tools and good practices in order to improve public procurement capacity*
- *Compilation and analysis of public procurement evidence/ indicators on performance for assessment of ex ante conditionality on public procurement for negotiations 2014-2020 programmes. This covers as well training/guidance on how to prepare and follow-up on Action Plans to address weaknesses in case the ex ante conditionality is not/partially fulfilled by a MS.*

MID TERM PRIORITY

- *Preparation for new PP Directives (by 2016) – training, dissemination of guidance*
- *A new transparency initiative against corruption in Public Procurement (e.g. integrity pacts, use of "red-flags")*
- *Assessment of current practices and scope to improve further public procurement professionalization linked to funds*
- *Training on public procurement as a strategic tool for Cohesion Policy (e.g. e-procurement, Green public procurement, Innovation).*

112. (§221 - 2012/PAR/0409) The Parliament demands the Commission to annually involve Parliament in due time into TEN-T/CEF co-financing, with information on the choice of transport infrastructure projects and amounts; asks the Commission to provide Parliament annually with lists of transport projects and amounts of co-financing through the regional and cohesion funds.

Commission's response:

The Commission is taking the requested action.

1. As restated by Vice-President Siim Kallas in a letter to Brian Simpson dated 3rd February 2014, in order to maintain a high quality political dialogue with the members of the TRAN committee, the Commission services are ready, as in the past, to participate in meetings of the TRAN coordinators or of the TRAN committee whenever requested in order to keep the committee fully informed on all aspects related to the implementation of the Connecting Europe Facility, including the preparation of future delegated acts.

2. As far as Cohesion Policy is concerned, the Common Provisions Regulation foresees that each year we will provide a summary report summarising the Annual Implementation Reports (AIRs) received by the MS. Since the AIRs contain information on the financial execution and outputs by priority axis and specific objective, Commission services will be able to present information by thematic objective, including transport. The AIR will also provide information on the state of progress of implementation of major projects.

A more detailed strategic report will be prepared by the Commission in 2017 and 2019 and will include a detailed analysis of breakdown by category of expenditure. This would therefore provide more information on transport expenditure.

Hence, that information on major projects approved in the transport sector will be provided to the EP in the framework of the report foreseen in article 53.1 of the CPR. Moreover, EP will be informed of the amount of expenditure by thematic objective at the same time.

113. (§222 - 2012/PAR/0410) The Parliament calls on the Commission to define and take rapid action to address the weaknesses of the audit system in the policy areas of cohesion.

Commission's response:

The Commission has taken the requested action. The Commission is carrying out an extensive audit enquiry to review the work of audit authorities before deciding to formally rely on their work, including through the re-performance of audits on operations performed by the audit authorities. A total of 232 missions have been carried out on the spot cumulatively since 2009: 177 audit missions (including 28 in 2013) and 7 monitoring missions (5 in 2013), as well as 48 fact-finding missions (12 in 2013) to validate the error rates reported by audit authorities in the Annual Control Reports. Audits covered cumulatively the main 47 audit authorities responsible for more than 96% of the ERDF/CF total allocation. DG Regional and Urban Policy's audit work included the on-the-spot re-performance of audits of operations at the level of individual beneficiaries in order to test the reliance which can be placed on the audit work carried out by the audit authorities (in 2013, this was the case for 24 out of 28 audit missions carried out on the spot). As a result, and based on the audit reports issued so far, the Directorate-General concluded

that the work of 40 audit authorities in charge of auditing around 90% of ERDF/CF allocations for the 2007-2013 period can in general be relied upon.

As it concerns the ESF, at end 2013 DG EMPL had audited 85 AAs out of 91, covering 99% of the ESF total allocation. The Commission selected most audit authorities to be audited on the basis of an annually updated risk assessment which includes, among several risk criteria reviewed over time, programmes allocations. Using also other sources of assurance, DG EMPL concluded that for the year 2013 the work of 106 audit authorities out of 117 can be relied upon. The results of the audit work are used by the Commission to assess whether it can rely principally on the opinion of the Audit Authority with regards to the effective functioning of the systems. In this case, the Commission carries its own on-the-spot audits only if there is evidence to suggest shortcomings in the system affecting the expenditure certified to the Commission. In application of article 73 of the Regulation 1083/2006, DG EMPL has informed in 2013 one additional Audit Authority (DE-Hessen) that it will mainly rely on their opinion. In total, 10 Audit Authorities fulfil the conditions for article 73 (BE (2 AAs), DE (4), ES (1), IT (2) and NL (1)). In addition, 1 Audit Authority (IT-PON GAS) has been granted the same reliance on the basis of the article 74 of the Regulation 1083/2006. Guidance is continuously improved and discussed with audit authorities. In particular guidance on sampling methods for audit authorities was updated in April 2013 and accompanied by detailed sampling training sessions/workshops with most audit authorities in order to clarify any implementation difficulties encountered (practical workshops in November 2012 in Brussels for audit authorities from 22 Member States; on-the-spot seminars in Italy (end 2012), Germany, Spain, Ireland, Slovakia, Nordic and Baltic countries in 2013). Further written clarifications to the guidance notes on annual control reports, audit opinions and the treatment of errors, as a result of the June technical meeting, were also provided to audit authorities in December 2013. Guidelines laying down common rules on determining financial corrections to be applied for financial instruments were discussed with the Member States in 2013 and will be issued in 2014. This will help audit authorities quantify errors detected in the samples of operation they audit in a harmonised way, and thus further reinforce the reliability of reported error rates in this area.

114. (§223, 2nd indent - 2012/PAR/0411) The Parliament points out that the Commission must perform more audits of final beneficiaries and authorising authorities in year 'n' in Member States where shortcomings have been found in administrative and audit systems in year 'n-1' systems.

Commission's response:

The Commission has taken the recommended action and included in its audit strategy for cohesion policy focused and risk-based audits enquiries to tackle shortcomings at the level of managing authorities.

See reply § 5 – 2012/PAR/301

115. (§223, 3rd indent - 2012/PAR/0412) The Parliament points out that the Commission must commit itself to audit all operational programmes at least once in the course of the programming period.

Commission's response:

The request is not in line with the concepts of single audit, cost-efficiency in the use of limited audit resources and the rapporteur's request and objective to target Commission's audits to risky programmes, as we currently do. The single audit approach as praised by the ECA since 2004 allows the Commission to have audit results and opinions for each programme every year as from the start of the programming period. The Commission has to ensure that audit authorities' work is reliable.

116. (§223, 4th indent - 2012/PAR/0413) The Parliament points out that the Commission must report in time for the 2013 discharge procedure on the operational applicability of the term “serious deficiencies” in the delegated act and on the net financial corrections it generated.

Commission's response:

See reply § 39, 4th indent – 2012/PAR/0315

117. (§224 - 2012/PAR/0414) The Parliament looks to the Commission to launch an investigation into the scale of such improper use of EU funding in connection with projects involving less than EUR 50 million and projects under shared management; looks similarly to the Commission to make sure that EU funding which is disbursed in contravention of the rules is paid back.

Commission's response:

The Commission notes that it is the Member States and their authorities that select and implement the co-funded projects and are responsible for ensuring their compliance with applicable rules. Only in the case of major projects – i.e. projects where the total eligible costs exceed EUR 50 million (or EUR 70 million in the case of transport infrastructure) does the Commission approve the financial contribution on the basis of a quality review of the project.

As regards the major projects, under the legal framework applicable for the programming period 2014-2020, as part of the approval procedure, the Commission will satisfy itself that the Member State has obtained the necessary information to provide assurance that the financial contribution from the Funds will not result in a substantial loss of jobs in existing locations within the Union.

For non- major projects, in the context of the negotiations of the operational programmes the Commission will seek to obtain a commitment from the Member States that where an assistance is granted from the Funds to a large enterprise, the managing authority shall assure itself that the financial contribution from the Funds does not result in a substantial loss of jobs in existing locations within the Union.

In addition, the Commission will monitor the respect of the rules on the durability of operations as set out in article 71 of Regulation 1303/2013 ('the Common Provision Regulation'). Finally, as set out in Article 85 of the Common Provisions Regulation, expenditure which is in breach of applicable law shall be excluded from Union financing: in such a case, the Commission shall make financial corrections by cancelling all or part of the Union contribution to a programme and effecting recovery from the Member State.

118. (§225 - 2012/PAR/0415) The Parliament insists that the Commission make sure that EU structural fund monies are not used in a way which directly or indirectly supports the relocation of services or production to other Member States.

Commission's response:

The Commission has taken the requested action. Under the legal framework related to the 2014-2020 programming period, provisions guaranteeing that investments in businesses and infrastructures are long-lasting and prevent the ESI Funds from being used to undue advantage have been put in place.

Provisions concerning the durability of operations are set out in Article 71 of the Common Provisions Regulation (CPR) (Regulation No1303/2013 of 17 December 2013).

According to Article 71 (1), an operation comprising investment in infrastructure or productive investment has to repay the contribution from the ESI Funds if within five years of the final payment to the beneficiary or within the period of time set out in State aid rules, where applicable, there is a cessation or relocation of a productive activity outside the programme area (i.e. within another region of the same Member State or in another Member State). Sums unduly paid in respect of the operation are to be recovered by the Member State in proportion to the period for which the requirements have not been fulfilled. In case of SMEs Member States may reduce the time limit to three years in cases concerning the maintenance of investments or jobs created by SMEs.

Operations supported by the ESF and operations supported by the other ESI Funds not entailing productive investment or investment in infrastructure are excluded from the general requirement of durability, unless such requirements are derived from applicable State aid rules. The provisions on durability do not apply either to contributions to or by financial instruments.

Furthermore, Article 125(3)(f) of the CPR introduces a specific obligation for the Managing Authority to ensure in the project selection process that the selected operations do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery following the relocation of a productive activity outside the programme area.

Commission Task Force for Greece

119. (§229 - 2012/PAR/0416) The Parliament requests the Commission to inform the Parliament in detail about the problems encountered with those projects [projects at risk being part of the 181 priority projects identified by the Group].

Commission's response:

The priority projects were an initiative of Commissioner Hahn to make the added value of structural funds for growth and jobs more visible for the citizens. Even though the TFGR was active for some of the priority projects (solid waste, cadastre, ICT projects, motorways), DG REGIO was monitored for the vast majority of them and invested significant resources in the supervision. DG REGIO together with the TFGR (for some priority projects only) is performing a very close follow-up of these projects and proposed remedial measures where appropriate. Upon DG REGIO's request, the Greek authorities submit regularly a report to the Commission on the state of play of implementation of these projects. The Greek authorities have created a website (<http://www.anaptyxi.gov.gr>) where progress of these projects, their problems and timing can be seen.

For the projects at risk, as estimated by the Greek authorities, specific problems were encountered during implementation and hinder their timely completion. The main problems include delays at maturing the project and subsequently late contracting, expropriation procedures, and lengthy court proceedings (i.e. appeals). The Greek authorities continue their efforts to resolve the problems and in cases where the timetables set a completion date of the project beyond the eligibility period, they could eventually examine the possibility of phasing the project with the programming period 2014-2020 if these projects fulfil the objectives and eligibility rules of the new period. Otherwise the rules for financial corrections will apply. The Commission have laid down in the MOU (the memorandum for economic adjustment) that these priority projects should be finalised by December 2015. Greek authorities are therefore not only bound by the regulation but also by the MOU conditions.

120. (§230 - 2012/PAR/0417) The Parliament requests that the Commission evaluate the possibility to establish a Task Force for those Member States that struggle with the implementation of Union funds.

Commission's response:

The Commission, as outlined in the Letter of Commissioner Semeta to the EP CONT Committee of 10 March 2014, has put in place mechanisms to follow up and report on the implementation of EU funds. By implementing the measures proposed therein, the Commission committed itself to address the Parliament's concern as regards the implementation of the EU Budget.

Employment and social affairs

121. (§236 - 2012/PAR/0418) The Parliament calls on the Commission to report on progress in implementation of the simplified cost option by Member States in the run-up to the 2013 discharge procedure.

Commission's response:

In November 2013 the Commission produced a report on "Simplification and gold-plating in the ESF" identifying the main sources of error due to unnecessary complicated national eligibility rules and addressing some recommendations to the Member States, based in particular on the use of SCOs.

The use of SCOs is particularly suitable for the type of expenditures reimbursed in ESF projects. The Commission actively promoted their use through seminars which were held by DG EMPL in all MS.

The new legal framework for the 2014-2020 programming period should facilitate a further increase of the use of SCOs. The Commission set the objective of using SCOs for up to 50% of ESF transactions by 2017, a target that is both realistic and ambitious.

DG EMPL will keep the European Parliament informed about progress with simplification.

122. (§243 - 2012/PAR/0419) The Parliament calls on the Commission to continue unremittingly its efforts to bring about administrative simplification in the Member States.

Commission's response:

The ESF regulation for the new programming period in its preamble, paragraph 27, encourages Member states to ensure the sound financial management of each operational programme and its implementation in the most effective and user-friendly manner possible, as well as to refrain from adding rules that complicate the use of funds for the beneficiary. The use of Simplified Cost Options (SCOs) is also encouraged (paragraph 25).

In line with ECA's views that they are an effective tool for reducing the risk of errors, it will enable simplifying financial management of operations while shifting the focus of beneficiaries on the delivery of quality outputs and results. The Commission set the objective of using SCOs for up to 50% of ESF transactions by 2017.

The Commission has actively promoted the introduction of Simplified Cost Options in particular for ESF related programmes. In 2013 and 2014, seminars were held in all MS in order to explain the usefulness and modalities of the introduction of these features.

123. (§244 - 2012/PAR/0420) The Parliament calls on the Commission to respect the principle of the welfare state, which is enshrined in the constitutions of many Member States.

Commission's response:

In all its actions the Commission respects the division of competences set out by the Treaty.

As far as cohesion policy funding is concerned, article 175 defines the possible scope of EU financial support very broadly. It provides that "the Union shall also support the achievement of these objectives (i.e. the strengthening of its economic, social and territorial cohesion – article 174) by the action it takes through the Structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing Financial Instruments."

Any ESF support, for example to promote social inclusion, that helps strengthen EU economic, social and territorial cohesion and employment in line with article 162 is therefore in line with the Treaty. At the same time, EU funding does not intend to replace or crowd out national investment in these policies but rather to complement and enhance member States' efforts to support these policies. In addition, thematic concentration requirements laid down in the ESF Regulation (art.4) lay down provisions ensuring that ESF funding concentrates on the key priorities and thus can generate real added value. The specific ex-ante conditionality related to social inclusion as provided for in Annex XI of Reg. (EU) No. 1303/2013 would ensure that the necessary strategic policy framework is in place as a prerequisite for the quality of ESF investment in this policy area.

As far as policy action is concerned, the Treaty contains a number of relevant provisions concerning EU competences in the social field, in particular article 5.3 TFEU which provides for "The Union may take initiatives to ensure coordination of Member States' social policies", articles 153 TFEU "the Union shall support and complement the activities i.e. in the field of social security and social protection of workers, 156 TFEU "the Commission shall encourage cooperation between MS" and 160 TFEU "establishment Social Protection Committee.

124. (§245 - 2012/PAR/0421) The Parliament calls for a policy to reduce youth unemployment which possesses Union added value; regards the role of the Union as being in particular to improve infrastructure for vocational training and further training; calls, in this regard, for an 'honest' European subsidy policy which focuses far more on transfers of know-how from Member States with low youth unemployment rates to Member States where those rates are high, but without further arousing false expectations and without further making promises on matters for which the Union cannot assume primary responsibility.

Commission's response:

The Commission shares the EP's views that the European Union has a crucial role to play in the strengthening of infrastructure for vocational education and training and underlines the importance of the European Alliance for Apprenticeships, which is a platform that brings together public authorities, business and social partners, VET providers, youth representatives and other key actors such as chambers in order to coordinate and upscale different initiatives for successful apprenticeship type schemes, as well as to promote national partnerships for dual vocational training systems.

The Commission agrees that know-how and best practice transfer is an important tool to combat youth unemployment. Within the framework of transnational cooperation under the ESF for the 2014-20 period, the Commission will support networks and platforms to enhance the exchange of experience and good practice

across ESF Managing Authorities and other relevant stakeholders and to support future synergies between Member States /regions around issues of common interest. One of them will be dedicated to youth employment.

Furthermore, the Commission-led Mutual Learning Programme (MLP)¹ has been supporting Member States since 2005 to exchange good practice and learn from each other. In the specific field of youth employment, the MLP regularly organises seminars, workshops and learning exchanges where experts and officials from national administrations analyse in detail the challenge of transferring good practice between regions and how to improve national measures to combat youth unemployment.

For example, under the MLP, the Commission organised a working and learning seminar on Practical support for the design and implementation of Youth Guarantee Schemes for national authorities in October 2013.

The Commission also agrees that Member States assume primary responsibility for the implementation of policies to combat youth unemployment. In addition, the Commission is convinced of a strong added-value of benchmarking to ensure suitable outcomes for young people. The Youth Guarantee is such a benchmarking and outcome-oriented approach as Member States have committed to ensuring that all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education.

It is up to Member States to decide on how they achieve these outcomes for young people taking account of national, regional and local circumstances. The Youth Guarantee is a joint initiative of the EU and Member States that can achieve real structural change through consistent implementation helped by monitoring and peer review, regular exchange of best practice and coordinated use of national and European funding. The Council Request on establishing a Youth Guarantee was adopted by the European Council in April 2013 and is currently being implemented in the Member States.

125. (§249 - 2012/PAR/0422) The Parliament demands clarification regarding a major case of fraud in connection with the ESF in Spain; expects the Commission to provide information that might explain why this case was not noticed by any of the bodies responsible for control, and whether OLAF was involved; demands clarification as to whether the European Court of Auditors was aware of this case; demands to know how many similar cases have occurred in the past.

Commission's response:

OLAF was informed of the case in December 2013. After analysis, it decided to dismiss the case on the grounds of not being competent to act, given that it was not clear whether ESF funds have co-financed the training courses affected by the potential fraud. The Certifying Authority in Spain has subsequently confirmed that no ESF money was used during the programming Period 2007-2013 to fund the online training activities in question. Should new facts emerge indicating that ESF might be involved, OLAF could consider opening an investigation.

Nevertheless, as some of the activities might cover the last part of the programming period 2000-2006, on 15/04/2014 the Commission requested from the Spanish managing authority further information whether any expenditure linked to this

case was certified to the Commission as part of the ESF Operational Programmes 2000-2006.

126. (§250 - 2012/PAR/0423) The Parliament reiterates its call to monitor the financial instruments, particularly ESF, European Globalisation Fund, relevant components of the Instrument for Pre-Accession Assistance and the European Progress Microfinance Facility, and measure their performance against the specific policy goals laid down by the EU 2020 strategy, as well as in the annual European Semester policy process.

Commission's response:

Europe 2020 is a common endeavour of Member States and the Commission and different processes are used to report on Europe 2020. At the same time, the legal acts supporting the spending programmes under the new MFF confirm that the programmes are designed to contribute to the Europe 2020 strategy. Therefore, the reporting on these programmes will also generate information on the contribution of spending programmes to the Europe 2020 strategy, but not in a comprehensive way.

.Already in the 2007-2013 programming period Member States which entered the Union before 1 May 2004 had to earmark an important part of the expenditure of the ESF and ERDF to the European Union priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs (i.e. at least 75% of expenditure for the Regional competitiveness and employment objective and 60% of expenditure for the Convergence objective, art.9.3 reg. 1083/2006). The annual implementation reports explain how the ESF contributes to the Europe 2020 strategy and the country specific recommendations issued in the framework of the European semester.

In the current programming period the link between the ESI funds and the Europe 2020 strategy is reinforced as the thematic objectives established by the Common Provisions Regulation are aligned to the Europe 2020 Strategy. Moreover, Member States have to select their funding priorities (thematic objectives and investment priorities) on the basis of a strategic analysis assessing MS performance as regards the EU headline targets and taking into account the challenges identified by the country specific recommendations. According to the needs identified, specific objectives - identifying the change and results to be achieved by the programme (result orientation) – will be set and clear and measurable milestones (for 2018) and targets (for 2023) will be established in order to measure and ensure progress as planned.

The new performance framework will introduce a considerable change in the monitoring of the performance of the MS. It is indeed associated with a performance reserve (6% of the resources allocated to the ESI Funds, except for i.a. resources for the European territorial cooperation goal and resources allocated to the Youth Employment Initiative). The performance reserve will be allocated to programme priorities which have met their milestones. In case of serious failure to achieve milestones and targets, payments may be suspended following the performance review and financial corrections applied at closure.

EGF

The link between the EGF and the goals of the Europe 2020 strategy has been emphasised in the new EGF Regulation (2014 - 2020) which lays down the conditions for the functioning of the Fund in the current programming period.

The wording of the regulation reflects the link between the priority for inclusive growth of the Europe 2020 strategy and the goals of the EGF, i.e. overcoming the adverse effects of globalisation and economic crises by providing tailor-made support for redundant workers to help them back into employment as quickly as possible.

In its recently published Annual Report on the EGF, the Commission reported that in 2012 it had received 11 applications, related to 6 sectors, from 9 MS, targeting 10 403 workers, requesting a total of EUR 58.5 million.

Concerning IPA, based on a Strategic Coherence Framework which highlights the strengths and weaknesses opportunities and threats and a description of the objectives pursued, the Operational programmes contain, inter alia information on the priority axis and related measures and result and output indicators and their specific targets. These indicators and targets make possible to determine the progress for implementing the measures including the effectiveness of the targets attached to the priority axis and measures.

During the implementation of the Multi-annual programme, the Candidate Country is obliged to submit following documents:

- Evaluations linked to the monitoring of the Operational Programme, in particular where this monitoring reveals a significant departure from the goals initially set;*
- Annual implementation report which shall be examined by the sectorial monitoring Committee before transmission to the Commission. This report includes quantitative and qualitative progress made in implementation;*
- Regular request for interim payments.*

In addition to a Joint IPA Monitoring Committee, a Human Resources Development monitoring Committee co-chaired by the Commission shall meet at least twice a year to review progress made towards achieving the specific targets of the Operational Programme and examine of the targets set for each priority axis and measures. This monitoring Committee may also propose any revision or examination of the programme likely to make possible the attainment of the programmes objectives or to improve its management.

The Commission understands also the importance of monitoring the use of the EPMF, specifically in relation to EU 2020 policy goals of lifting 20 million out of poverty and achieving the employment rate of 75%. To this end the following activities are undertaken:

- 1. The Commission receives from the EIF a bi-annual financial report and an annual social report on the facility's implementation. These reports then serve as a basis for the public Annual report, prepared by DG EMPL.*
- 2. The Commission is represented in the Investor's committee overseeing the implementation of the EPMF funded instruments by EMPL C Director.*
- 3. The Commission approves applications for support under the EPMF guarantee instrument.*

4. In August 2013, an interim evaluation of the EPMF has been started by an external contractor.

External relations

127. (§258 - 2012/PAR/0424) The Parliament urges the Commission to efficiently correct the errors detected and to perform the recoveries efficiently.

Commission's response:

As for the 2012 RER study, the errors identified in the 2013 RER study will be thoroughly followed-up. The objective is to either make recoveries for the ineligible amounts identified or to attach explanatory notes for cases in which such recoveries cannot or will not be made.

128. (§263 - 2012/PAR/0425) The Parliament suggests, in light of these reports [Congo, Egypt, Palestine], that the Commission and the Court of Auditors work closely together to further develop both measurable indicators and the methodology of performance audits, regarding Union funded projects with a high political nature, such as those oriented towards strengthening the respect for human rights, the rule of law and democracy, where a decision to continue or discontinue a project does not only depend on actual results in a given time frame.

Commission's response:

The Commission does not consider carrying out performance audits in the future as this would entail an overlap with the strategic evaluations regularly undertaken by the Commission in the area of development and cooperation and which methodology is already well-developed. The Court of Auditors already carries out performance audits, even building sometimes on the evaluations conducted by the Commission.

129. (§265 - 2012/PAR/0427) The Parliament urges the Commission to implement all recommendations [with regard to the problems concerning the management of social allowances].

Commission's response:

The automatic update of the amounts of allowances of like nature has been implemented and is fully operational. The automatic update already covers Belgium, Luxembourg, Ireland, Germany, France, The Netherlands, Finland, Sweden and Romania. Further extensions to Hungary, Austria and Latvia are currently being developed. Hence, the vast majority of staff concerned (working mainly in Brussels, Luxembourg and Strasbourg and the Joint Research Centres) are covered. The files of those agents who receive national family allowances of like nature from other Member States than the ones quoted are updated manually given their low number. The agents concerned by this already have the possibility to declare any indexations via the SYSPER2 module "declaration of allowances of like nature. Furthermore, checks are performed in the framework of existing procedures (entry into service, a posteriori-checks, and end of service).

Concerning the declaration of allowances of like nature: in 2013, a module allowing the declaration of such allowances has been implemented. Moreover, a module in SYSPER2 which will permit each agent to declare the change of his/her spouse's professional activity was launched at the end of June 2014. The declaration of the income of the spouse for the entitlement to the household

allowance will be done on an annual basis. The entitlement to the household allowance is cut at the end of the year except in cases where the entitlement is due (e.g. spouse unemployed or receiving a pension). This module is also linked to the declaration of the activity of the spouse in view of receiving health insurance cover: there too, the declaration has to be renewed on an annual basis.

The declaration of the income of the spouse will only give a partial view on the entitlements to allowances for dependent family members. The PMO does not plan to organise an annual declaration of the family situation but envisages introducing an automatic cut of the entitlement to allowances for dependent children over the age of 18 for those agents who have not introduced the annual education declaration. This change in practice will normally be introduced as of the academic year 2014-2015: personnel are invited to introduce the school declaration as of September 2014. Staff omitting to introduce a declaration will see their allowances cut automatically.

Regarding pensioners, their family situation is checked every year for individuals who receive child allowances. Moreover, for all other pensioners, the situation is checked every two years (for pensioners older than 80, every year) on the basis of a declaration which they have to fill in. The declaration of the allowances of like nature is incorporated in the annual procedure inviting the pensioners to give the updated situation regarding their children.

130. (§265 - 2012/PAR/0428) The Parliament encourages the Commission to speed up the roll-out of its new programme to resolve it [the management of social allowances].

Commission's response:

The automatic update of the amounts of allowances of like nature has been implemented and is fully operational. The automatic update already covers Belgium, Luxembourg, Ireland, Germany, France, The Netherlands, Finland, Sweden and Romania. Further extensions to Hungary, Austria and Latvia are currently being developed. Hence, the vast majority of staff concerned (working mainly in Brussels, Luxembourg and Strasbourg and the Joint Research Centres) are covered. The files of those agents who receive national family allowances of like nature from other Member States than the ones quoted are updated manually given their low number. The agents concerned by this already have the possibility to declare any indexations via the SYSPER2 module "declaration of allowances of like nature. Furthermore, checks are performed in the framework of existing procedures (entry into service, a posteriori-checks, and end of service).

Concerning the declaration of allowances of like nature: in 2013, a module allowing the declaration of such allowances has been implemented. Moreover, a module in SYSPER2 which will permit each agent to declare the change of his/her spouse's professional activity was launched at the end of June 2014. The declaration of the income of the spouse for the entitlement to the household allowance will be done on an annual basis. The entitlement to the household allowance is cut at the end of the year except in cases where the entitlement is due (e.g. spouse unemployed or receiving a pension). This module is also linked to the declaration of the activity of the spouse in view of receiving health insurance cover: there too, the declaration has to be renewed on an annual basis.

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131. (§271 - 2012/PAR/0429) The Parliament calls on the Commission to reinforce efforts to better analyse, document and explain the main types of errors and to take appropriate measures, including consultation with relevant stakeholders, to reduce errors in the future in particular in the relation to payments to international organisations which accounted for 38 % of the overall RER.

Commission's response:

The requested action has been taken.

The Action Plan to correct the weaknesses in DG DEVCO internal control system, drawn up following the reservation made in DEVCO 2012 Annual Activity Report and endorsed by Management in May 2013, already addresses the issue of an enhanced cooperation with international organisations in terms of control of legality and regularity. As the residual error rate for 2013 is above the established materiality threshold again, a new reservation had to be issued in the 2013 AAR. The 2013 RER study having revealed that the typology of the errors is similar to the one pointed out in the 2012 study, but that recurrent errors linked to International Organisations still account for a significant part of the error rate, it has been decided in a Management Meeting in May 2014 that the Action Plan is still applicable, but additional Ad Hoc measures should complement it so as to address new issues found in the RER study and the Court of Auditors' 2013 DAS:

- A recovery procedure will be launched for the transactions identified in the RER for which supporting documentation has not been provided, for the ones for which the recoveries has not been performed or documented and for all the others for which an error has been estimated in the 2013 RER study;

- a contradictory procedure will also be launched to suspend cooperation under decentralised management mode (IMDA) with the organisations for which issues have arisen regarding the availability of documentation.

Research and other internal policies

132. (§277 - 2012/PAR/0430) The Parliament considers that the Commission and Member States should supply auditors with all the necessary background material and training material to facilitate correct auditing of cost statements.

Commission's response:

The Commission has undertaken several steps in order to address this request whose aim is to increase the awareness of auditors for fulfilling its own role.

Firstly, the Commission has been running a communication campaign to remind beneficiaries and external auditors of the FP7 eligibility rules. In total, there have been organized 22 events covering 22 Member States and associated countries. These seminars have been attended by 3500 participants, including at least 300 certifying auditors, and this number will increase since this campaign will continue in 2014. National Contact Points have highly contributed to the organization of these events.

Secondly, the Commission services contact the certifying external auditors when the Commission's ex-post audits identify material differences between the certified cost statements and the ex-post audits' findings.

Finally, the "Research Enquiry Service" replies to any questions raised by the auditors.

133. (§278 - 2012/PAR/0431) The Parliament calls on the Commission to update this report [report on the subject of simplification measures submitted by the Commission] for the 2013 discharge procedure.

Commission's response:

The Commission will update its report on simplification measures.

134. (§281 - 2012/PAR/0432) The Parliament calls on the Commission to report whether the wrongly paid EUR 470 000 [declared for an ICT-PSP project] has been recovered.

Commission's response:

The audit file is currently on hold due to the need for undertaking additional special procedures which are expected to be completed soon. The case is closely monitored and the audit file will be closed as soon as possible in order to enable the operational services to proceed with the eventual recovery of the unduly paid funds.

135. (§282 - 2012/PAR/0433) The Parliament calls on the Commission to report on the status of projected corrections relating to FP6.

Commission's response:

The Commission reported on this issue in the Annual Activity Report of DG Research and Innovation for 2013. At the end of 2013 92.3% of audit results by number and 81.6% by volume had been implemented, 84.1% of extrapolations had been implemented by the end of 2013, up from 78.8% at the end of 2012.

136. (§283 - 2012/PAR/0434) The Parliament calls on the Commission to report on the progress in introducing SIS II.

Commission's response:

The request is implemented. DG Home Affairs reported on the state of play of SISII in its 2013 Annual Activity Report, where the reservation on SISII was lifted. The entry into operation of SIS II took place on 9 April 2013 as decided by the Council. Following an intensive monitoring period of 30 days, the system was formally handed over to eu-LISA. The Commission granted the Final System Acceptance to its contractor on 1 October 2013. There were no unforeseen events which have triggered additional expenses. As a conclusion, the concrete events that materialised in the course of 2012 and which justified the reservation did not in the end produce the consequences expected. The SIS II has since been functioning smoothly.

OLAF

137. (§284 - 2012/PAR/0435) The Parliament observes that the President of the Commission still has not accounted to Parliament in plenary for the loss of office of Health Commissioner John Dalli on 16 October 2012; insists on the necessity of respecting the presumption of innocence and notes that the serious accusations of corruption levelled at the Commissioner by the tobacco industry, which he has always rejected, remain unproven to this day.

Commission's response:

The President of the Commission explained the situation to the Conference of Presidents in November 2012. The point was never scheduled for the plenary and the Commission has respected the principle of presumption of innocence at all times.

138. (§285 - 2012/PAR/0436) The Parliament strongly deplores the fact that OLAF's investigation of the accusations has been seriously flawed, according to an analysis by the OLAF Supervisory Committee, and that OLAF refuses to explain matters and is also not being called to account in this respect.

Commission's response:

The OLAF Supervisory Committee has not said in its analysis that the investigation was "seriously flawed". Furthermore, OLAF has already extensively and repeatedly answered questions related to this investigation, orally (in CONT) and in writing (in reply to questionnaires), within the limits set out respectively in Article 8 of Regulation 1073/1999 and in Article 10 of Regulation 883/2013.

139. (§286 - 2012/PAR/0437) The Parliament draws attention to the reversal of the burden of proof in this case, such that the focus is not on the culpability of the accused but it is necessary for the accused himself to seek to prove his innocence before a series of courts; draws attention to the fact that Mr Dalli has contested the voluntary character and the lawfulness of his resignation before the General Court of the European Court of Justice which might result in an award of damages to the detriment of the taxpayer and has also launched an action in defamation against Swedish Match before the Belgian authorities.

Commission's response:

The Commission attaches great importance to the presumption of innocence and has always taken care not to pre-judge any actual culpability. The Commission has explained many times the circumstances in which Mr Dalli resigned: it had become politically untenable for him to remain in office and he therefore decided to resign voluntarily. Mr Dalli has contested the voluntary character and the lawfulness of his resignation, claiming damages before the General Court of the European Union in Case T-562/12, which is pending.

140. (§287 - 2012/PAR/0438) The Parliament calls for complete clarification and for full and prompt cooperation by the Commission with the courts in Belgium and Malta in the Dalli case and for an independent inquiry into the methods used by OLAF in this case.

Commission's response:

The Commission and OLAF are, as always, fully cooperating with the judicial authorities of the Member States. The Commission and OLAF have duly replied to any request for information or assistance that they have received from the authorities.

141. (§288 - 2012/PAR/0439) The Parliament is worried about the high financial indicators for opening an investigation included in the Investigative Policy Priorities of OLAF for the years 2012 and 2013 that are in the customs sector: EUR 1 million, in the agriculture sectors: EUR 100 000 for SAPARD and above EUR 250 000 for agriculture; in the structural funds: EUR 500 000 in the European Social Fund as well as in the Cohesion Fund and EUR 1 million in ERDF, in the external aid and centralised expenditure sectors: EUR 50 000 and also in the Union staff sector: EUR 10 000; criticises that it is in the responsibility of the managing DGs to care about possible fraud cases below these financial indicators without having qualified staff at their disposal; sees taxpayers money and the financial interest of the Union endangered.

Commission's response:

*OLAF's Investigation Policy Priorities (IPPs) in 2012 and 2013 included the following selection principles: proportionality, efficient use of investigative resources and subsidiarity/added value. These IPPs (2012, 2013) contained financial indicators. Such indicators were not conceived or used by OLAF as an "exclusion criterion", but were used as one of several criteria to assess whether an investigation should be opened or not. The financial impact was never a *conditio sine qua non* for opening an investigation.*

For 2014, the Director-General decided not to include financial indicators in the IPPs, considering that there has been, and to certain extent still is, a persistent misunderstanding on this matter amongst OLAF's stakeholders, and how difficult it is in most cases to assess the potential financial impact of a new case. OLAF intends to monitor whether not having explicit financial indicators available in the selection process leads to the opening of too many cases for the Office to handle. If so, the Director-General will give consideration to their possible reintroduction, in close consideration with OLAF's stakeholders and its Supervisory Committee.

The total percentage of cases opened by OLAF between 1 February and 31 December 2012 in all sectors of activity where the financial impact was either unknown at the time of the opening or below the financial indicators set was 78%. Had the financial indicators been an exclusion criterion or a threshold, none of these cases would have been opened. As far as the European Regional Development Fund, the Cohesion Fund, the European Social Fund and the European Fisheries Fund are concerned, the percentage of cases during the same period where the financial impact was either unknown at the time of the opening or below the financial indicators set was 74%.

In 2013, no cases were dismissed on the basis of the mere application of the "financial indicators" in the agriculture sector (encompassing all the following subsectors: EAFRD, EAGF, EAGGF – Guarantee, IPARD and SAPARD).

In the rare instances when a case is dismissed under the principles of subsidiarity and proportionality, and might require investigation, the case is transmitted by OLAF to the competent national authorities.

142. (§289 - 2012/PAR/0440) The Parliament notes that it has not received eight months after the adoption of Parliament's resolution on the protection of the financial interest 2011 in plenary, the legal analysis of the legality of recordings of private phone conversations during administrative investigations concerning members of the Union institutions and Union officials conducted by OLAF requested in paragraph 75 of that resolution.

Commission's response:

OLAF has already informed CONT that, under Article 4 (3), second subparagraph, of Regulation (EC) No 1073/1999, OLAF was entitled to obtain information pertinent to its investigations. OLAF considers that it has acted in accordance with applicable rules and regulations.

A first version of a comprehensive internal study on the legality of recordings of private phone conversations by public authorities in the Member States has been shared with OLAF's investigative staff, and is continuously being improved and updated.

143. (§290 - 2012/PAR/0441) The Parliament is deeply concerned about the findings of the Supervisory Committee that OLAF has not established a prior legality check for investigative measures other than those specifically listed in OLAF's Instructions to Staff on Investigative Procedures (ISIP); notes that this endangers respect for the fundamental rights of, and procedural guarantees relating to, the persons concerned.

Commission's response:

OLAF conducts its investigative activities while respecting all procedural requirements. The OLAF Supervisory Committee did not identify any breaches of fundamental rights or procedural guarantees in its Activity Report in relation to persons concerned. Therefore the concerns raised are merely hypothetical. Regulation 883/2013 specifies procedural guarantees and reinforces the rights of the persons concerned. OLAF's actions are subject to review by the Courts. In addition, the provisions listed in the ISIP were sufficient for OLAF to perform a meticulous legality, necessity and proportionality check prior to taking any action that would endanger the respect for the fundamental rights of, and procedural guarantees relating to, the persons concerned.

The Commission submitted a proposal for a Regulation amending Regulation 883/2013 in June 2014, aimed at further strengthening procedural guarantees of persons concerned by OLAF's investigations by introducing an alternative complaint procedure for individuals concerned by OLAF's investigations and by reinforcing institutional procedural safeguards of the Members of EU institutions.

144. (§291 - 2012/PAR/0442) The Parliament notes that breaches of essential procedural requirements during preparatory investigations could affect the legality of the final decision taken on the basis of investigations by OLAF; assesses this as potentially high-risk, since breaches would thus incur the legal liability of the Commission.

Commission's response:

OLAF Guidelines to Staff on Investigative Procedures, which replaced the Instructions to Staff on Investigative Procedures on 1 October 2013, are intended to ensure that all investigations carried out by OLAF meet the highest professional standards and fully respect the procedural rights of the persons concerned. They set out a body of rules to ensure the procedural fairness of all investigations, the respect of confidentiality and other obligations emanating from the legislative framework within which OLAF conducts its investigative activities.

One of the tasks of OLAF's Investigation Selection and Review Unit is to carry out legality checks including respect of procedural requirements at the different stages of the investigation. This dedicated unit is staffed with experienced and specialised members.

The Commission is legally accountable for OLAF actions as OLAF has no separate legal identity of its own. The Commission however emphasises that such liability has only been found in exceptional cases. There is therefore no high risk that OLAF would not respect essential procedural requirements.

145. (§292 - 2012/PAR/0443) The Parliament deems the direct participation of OLAF's Director-General in some investigative tasks, inter alia interviews of witnesses, unacceptable; points out that the Director-General could be faced with a conflict of interest, since, under Article 90(a) of the Staff Regulations of Officials of the European Union and Article 23(1) of the ISIP he is the authority who receives complaints against OLAF's investigations and decides whether or not appropriate action is taken with regard to any failure to respect procedural guarantees.

Commission's response:

The OLAF Director-General is involved in all investigations. According to Articles 5 and 7 of Regulation 883/2013, he shall open investigations and direct the conduct of them. This was also the case under Regulation 1073/1999. It is for the Director-General to decide on the degree of his involvement that the specific case requires.

Article 90a of the Staff Regulations provides OLAF with the opportunity to review its own actions and, where appropriate, correct any errors on the basis of the objections of the complainant. Any Article 90a complaints are treated in the same way regardless of the degree of involvement of the OLAF Director-General. The decisions taken by OLAF on these complaints are subject to judicial review. See also the reply to PQ 11642/12 which was transmitted to the Parliament on 8 March 2013.

146. (§293 - 2012/PAR/0444) The Parliament calls on OLAF at least to monitor the follow-up measures to these cases [suspected fraud cases which the Commission has reported to OLAF but which OLAF dismissed and referred back to the Commission].

Commission's response:

When there is a suspicion of fraud, OLAF does not dismiss and refer back cases to the Commission services for them to investigate. OLAF is and remains the only body entitled to run administrative investigations in such cases. When OLAF receives information about suspected fraud from another Commission service, it decides on whether to open an investigation or to dismiss a case on the basis of the

criteria set out in Article 5 (1) of Regulation 883/2013. OLAF informs the Commission service that sent the information of the decision to dismiss and of the reasons for the dismissal. In the rare instances when a case is dismissed under the principles of subsidiarity and proportionality, and might require investigation, the case is transmitted by OLAF to the competent national authorities.

147. (§293 - 2012/PAR/0445) The Parliament calls for an analysis of the suspected fraud cases dismissed and referred back to the Commission in 2012 and 2013.

Commission's response:

When there is a suspicion of fraud, OLAF does not dismiss and refer back cases to the Commission services for them to investigate. OLAF is and remains the only body entitled to run administrative investigations in such cases. When OLAF receives information about suspected fraud from another Commission service, it decides on whether to open an investigation or to dismiss a case on the basis of the criteria set out in Article 5 (1) of Regulation 883/2013. OLAF informs the Commission service that sent the information of the decision to dismiss and of the reasons for the dismissal. In the rare instances when a case is dismissed under the principles of subsidiarity and proportionality, and might require investigation, the case is transmitted by OLAF to the competent national authorities.

148. (§294 - 2012/PAR/0446) The Parliament is alarmed by the results of two surveys among OLAF staff and the shortcomings which have become apparent in the functioning of OLAF since the reorganisations; calls on the Court of Auditors to perform a follow-up audit and to follow up its Special Report 2/2011 in order to investigate the impact of the reorganisation.

Commission's response:

The results of the two staff surveys were mixed and not altogether negative. Following the two surveys, OLAF is working on a HR strategic plan.

It should be noted that, as a result of the re-organisation, OLAF has visibly improved its performance.

149. (§295 - 2012/PAR/0447) The Parliament requests that the Commission provide the Committee on Budgetary Control with a non-redacted version of the document D/000955 from the 5 February 2009 produced by OLAF on the misuse of Union funds by a high-ranking member of a Union institution.

Commission's response:

In the reply provided by the Commission on 28 January 2014 to the question from Ms Ingeborg Gräßle (MEP) for a written answer, E-012041/2013, it was specified that: "As for the un-redacted version of Document D/000955, the Commission will assess any request from the European Parliament under the conditions of the Framework Agreement between the Parliament and the Commission.". OLAF has not received any request from the EP under the above-mentioned Agreement.

Furthermore, the written answer states that "OLAF has informed the Commission that it holds no evidence which might implicate the former President of the NGO in the alleged corruption activities".

Finally it should be noted that the former president of the NGO is the high ranking member of the Union institution referred to in the text.

150. (§296 - 2012/PAR/0448) The Parliament expects to be informed by the Commission about all Clearing House meetings in 2012 and 2013 in regard to the participants at these meetings and the agendas.

Commission's response:

The 'Clearing House Group' gathers the Secretary General, the Directors General of the Legal Service, Budget, Human Resources and the Internal Audit Service every two months. The Director General of OLAF also participates. It aims to ensure that the Commission is adequately informed and able to protect the financial and reputational interests of the Institution, if needed by taking precautionary measures of its own. Due to the need to protect ongoing investigations, OLAF's independence and the presumption of innocence of the persons concerned, information on the proceedings of this group remains limited. The Commission would assess any additional request from the European Parliament regarding the Clearing House meetings under the conditions of the Framework Agreement between the Parliament and the Commission (point 31 of the Inter-Institutional Agreement and point 3.2.1 second indent and point 3,2,2,b of its annex II).

The relations between OLAF and the EU Institutions are governed by the OLAF Regulation (883/2013). Those relations are based on the respect of OLAF's independence while ensuring that the institutions and bodies concerned receive adequate information in order to assume their responsibilities and protect the financial interests of the Union and their reputation. The Commission is fully committed to support OLAF's independence. The Director General of OLAF has the possibility to bring an action before the Court of Justice if he considers that a measure taken by the Commission calls his independence into question (Art. 17.3). This was never the case.

Tobacco smuggling

151. (§297 - 2012/PAR/0449) The Parliament calls for an assessment of the existing agreements with the four tobacco groups (Philip Morris International Corporation Inc. (PMI), Japan Tobacco International Corporation, British American Tobacco Corporation and Imperial Tobacco Corporation), taking into account the new Directive on Tobacco Products, the ratification of the Protocol to the FCTC Convention and Parliament's view on the issue of whether and, if appropriate, how the tobacco cooperation agreement with PMI is to be extended.

Commission's response:

Each of the Cooperation Agreements has been concluded by the European Union, represented by the European Commission, the Member States, and the respective companies. All Member States are parties to the Anti-fraud Cooperation Agreements, with the exception of Sweden, which does not participate in the agreements with BAT and ITL. Each of the Anti-fraud Cooperation Agreements is legally binding and concluded for a fixed period of time. The Anti-fraud Agreement with PMI expires in July 2016. The Commission has not yet taken any position regarding a possible extension of the duration of this Agreement. The Cooperation Agreement with JTI will expire in 2023, those with BAT and ITL in 2030; it is therefore too early to take a position on their possible continuation beyond these dates.

The Commission will formulate its position taking into account the experience with the implementation of the respective agreements. Moreover, to the extent that they are contracting parties, Member States also will have to take a position on this matter. The Commission will keep the Parliament informed of any renegotiation to extend any of the Anti-fraud Cooperation Agreements.

152. (§298 - 2012/PAR/0450) The Parliament calls for decisive measures by OLAF to combat cigarette smuggling: liaison units with China, the United Arab Emirates and Ukraine and at the appropriate places where smuggling is concentrated, as well as at Europol, in order to improve cooperation.

Commission's response:

The Commission shares the concerns regarding cigarette smuggling. The issue was raised in the Commission's Communication "Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products – A comprehensive EU strategy" and its related Action Plan.

The Commission is aware of the importance of liaison officers. It would nevertheless like to point out that the posting of additional liaison officers requires available human and budgetary resources. The Commission services including OLAF are subject to staff cuts. However, the Commission is reflecting on ways to increase the number of liaison officers despite such constraints.

OLAF and Europol are currently in the process of preparing an operational working arrangement to reinforce their cooperation and information exchange based on work done so far.

153. (§299 - 2012/PAR/0451) The Parliament calls on the Commission to describe what measures need to be taken in the Union to control the market for tobacco leaves, cut

raw tobacco and mechanical equipment for the production of cigarettes, in order to combat illegal cigarette factories.

Commission's response:

General measures regarding the control of raw tobacco are more difficult to envisage in view of the technical difficulties of controlling the supply chain for raw tobacco – for instance through a worldwide tracking and tracing system. Furthermore, raw tobacco is often not subject to excise duties resulting in a lesser control of its distribution by comparison with cigarettes. The Commission will nevertheless give consideration to improving intelligence on and control of raw tobacco trading in the EU.

Absence of progress in Bulgaria

154. (§300 - 2012/PAR/0452) The Parliament calls on the Commission to adopt a resolute attitude towards Bulgaria and to seriously examine whether it is even possible for Union funds to be deployed in accordance with the rules in such an environment.

Commission's response:

The Commission welcomes the support given to its work under the Cooperation and Verification Mechanism. The Commission's recent report makes a number of concrete recommendations to help accelerate progress. The next formal report is likely to come around the start of next year, in order to allow the time required to assess tangible results. Between now and then, the Commission will monitor progress closely and on a continuous basis with regular missions, as well as frequent dialogue with the Bulgarian authorities and with other Member States. There is no direct linkage between the Cooperation and Verification Mechanism and the use of EU funds, although the Mechanism contributes more generally to the fight against fraud and corruption.

Roma

155. (§302 - 2012/PAR/0453) The Parliament reminds the Commission that it has a duty to account for the use of Union tax revenue for the benefit of Roma people.

Commission's response:

Concerning EU financial support, the Commission would like to stress that the regulatory framework for EU cohesion policy funds for the 2007-2013 period does not include any specific provision for reporting related to Roma people. No category of European Social Fund (ESF) or European Regional Development Fund (ERDF) support is specifically earmarked for Roma inclusion. Consequently, based on the Regulations of these funds, Member States are not required to report specifically on ESF funding for Roma, and some Member States even prohibit the registration of people on the basis of their ethnic origin which makes any detailed reporting on this type of support simply impossible.

However, the ESF, the ERDF and even the EAFRD are indeed available to the Member States to finance social integration projects, including those aimed at improving the integration of Roma. Around €12.9 billion of the ESF is expected to be used for social inclusion programmes in 2007-2013, including support to the implementation of national Roma integration strategies. Furthermore, in the period 2007-2013 over €100 million pre-accession assistance has been provided to support Roma integration in the enlargement countries.

There are numerous good practice examples of projects supporting Roma inclusion co-financed by the ESF summarized in a brochure published in 2010. This can be found at: http://ec.europa.eu/employment_social/esf/docs/esf_roma_en.pdf.

To consolidate the country knowledge on interventions for Roma inclusion and help Member States design better projects, in April 2014, the Commission launched a Roma webpage on funding possibilities from EU funds for the social inclusion of marginalised communities, including Roma. http://ec.europa.eu/justice/discrimination/roma/eu-funding/index_en.htm

For the 2014-2020 period, Roma communities will be able to further benefit from the earmarking of at least 20% of the ESF ((currently estimated at over €14 billion) for social inclusion. In this period, Roma integration is better targeted for support through the creation of a specific ESF investment priority devoted to the integration of marginalised communities such as the Roma. Ex-ante conditionality requirements are intended to ensure that EU funds are used effectively (with an integrated approach setting achievable goals across the concerned policy areas and effective coordination). The Roma are also reflected in the common ESF indicators in Annex I of the ESF regulation 2014-2020 on which MS will have to report.

In addition, the ESF Learning Network on Roma Inclusion, supported with ESF Technical Assistance, is going to support Member States in the process of preparing their Partnership Agreements and Operational Programmes in order to have an inclusive approach and to better address Roma needs.

With regard to ERDF, the Commission indeed possesses, and has provided, quantitative information about measures financed from the EU budget in favour of Roma in their home countries, in those cases where inclusive growth expenditure

is targeted in nature. Such targeted expenditure is permitted while respecting the Common Basic Principle on Roma which allows for explicit but not exclusive targeting (i.e. other marginalised groups may also benefit).

This support takes two forms. Firstly in those cases where Member States have launched territorially-based comprehensive programmes, bringing together support from separate ERDF and ESF programmes. This is the case for both Hungary (€ 360 million, of which €115 million from ERDF for these and other Roma specific measures) and Slovakia (€ 300 million, later reduced to € 178 million, of which €134 from ERDF) in the 2007-2013 period.

The second form of targeted support concerns the financing of integrated housing projects for the benefit of marginalised communities, including Roma. A total of € 86 million has been allocated by 8 Member States to such schemes to date, including those 5 Member States with the largest Roma populations.

The Commission possesses quantitative data on the implementation of the above-mentioned programmed targeted support.

The targeted integrated housing support represents a way forward which the Commission has used in parallel to the launch of the Roma strategy, in order to substantiate measures in favour of this group, since these investments are based on a modification of the ERDF regulation of 2010 rendering such expenditure eligible. Furthermore, given the importance of this expenditure, the Commission has put in place ad-hoc monitoring arrangements which are additional to the Commission's standard regulatory responsibilities.

Additionally, Roma may benefit, beyond targeted support, from mainstream ERDF inclusive growth expenditure (€17,8 billion for 2007-2013 of which 98% had been allocated by Member States to projects at the end of 2012). This cannot be quantified further given that, as a general rule, this support takes the form of infrastructure investments which correspond to a place-based logic in line with the core mission of ERDF aiming at territorial development, without any specific target groups, Roma or otherwise.

IT policies

156. (§303 - 2012/PAR/0454) The Parliament calls on the Commission to explore open source, well-audited solutions for e-mail and calendaring, including end-user softwares.

Commission's response:

The Commission will indeed continue to do this by applying its Open Source Software Strategy, which is available at:

http://ec.europa.eu/dgs/informatics/oss_tech/index_en.htm

This strategy, first adopted in 2001 and reviewed regularly ever since, has enabled the Commission to be one of the world's leading organisations as regards the adoption of Open Source Software (OSS). Thanks to this strategy, OSS products have been considered alongside proprietary ones in terms of value for money and fitness for purpose. As a result, OSS solutions have been operational at the Commission for more than 10 years already; for example, at the end of 2010, there were more than 800 OSS-based web servers. Moreover the commitment to update and revise the OSS strategy has been taken within the Management Plan 2014 of the Directorate-General Informatics.

In addition, as regards end-user software, and in particular in the area of office automation, the Commission has undertaken to explore alternative products (including OSS) and delivery models in the context of its recently announced 3-track strategy.

157. (§304 - 2012/PAR/0455) The Parliament calls on the Commission to support these organisations [civil-society organisations whose operations at least partially concern the Roma and which are denied access to Union funding because of an excess of red tape] more in the overall process.

Commission's response:

The 2014-2020 regulations envisage the allocation by MS of support to increase the capacity of beneficiaries. The Commission has consistently encouraged active cooperation of government authorities with civil society organisations, including where relevant with NGOs active in the field of Roma integration.

158. (§306 - 2012/PAR/0456) The Parliament urges the Commission to prepare smaller open, public tenders to enable more actors to participate in such procurement [such as the SACHA II contract] and with a larger diversity of offers.

Commission's response:

The Commission has already taken steps to introduce more software diversity. Together with more than 50 EU Institutions and Agencies, including the European Parliament, it has recently published a call for tenders named SIDE (Software for Innovation, Diversity and Evolution), which will in due course replace SACHA II. The list of software vendors listed in it is even larger than it was the case in the past. This demonstrates that the Commission does not rely on a small circle of actors but instead aims at building a diversified software portfolio in which products from different vendors and based on different business models (including OSS) coexist smoothly.

At the same time, however, there is a limit to the number of procurement procedures that the Commission can initiate and contracts that it can manage with its limited resources. This is why, instead of running hundreds of resource-intensive procurement procedures, the Commission fulfils its needs by addressing the market segment of software resellers, who are able to provide it with this large range of products from many software vendors through a single point of contact, while meeting very demanding service requirements.

While the Commission does its best to allow and encourage as many bidders as possible to participate in its calls for tenders, the fact remains that the number of economic operators in that particular market segment is not very high.

159. (§307 - 2012/PAR/0457) The Parliament urges the Commission to ensure that any consolidation endeavours in the ICT architecture goes towards well-accepted, open standards that are used by multiple vendors and which can be implemented by open source software; recalls that it is easier to ensure that email storage on the premises is not accessed by foreign interests because of its geographical location.

Commission's response:

The Commission's ICT infrastructure already supports all major standards. As regards in particular document formats, the Commission is already in a position to process all recognised ISO standard document formats (as well as many other widely used formats) in its interactions with external stakeholders, including other EU Institutions, national administrations, businesses and citizens.

In each area, it uses itself internally one of the recognised ISO standard document formats. However, in the context of its recently announced 3-track strategy in the area of office automation, the Commission has undertaken to explore alternative products (including OSS), which may in some cases implement natively other standards.

As regards on-premise e-mail storage, that is the solution currently in use at the Commission. However, in the context of the above-mentioned 3-track strategy in the area of office automation, as well as of its initiatives in the area of cloud computing, the Commission will look into whether alternative delivery models can generate savings and increased efficiency. Naturally, when assessing such models, concerns about security and legal consequences of data location will be addressed.

Studies and advice/consultation from external providers

160. (§308 - 2012/PAR/0458) The Parliament notes that the Commission was not able to provide Parliament with a clear, concise list in a machine readable format from the Commissions ABAC system such as an Excel table or a CSV-file that includes the topics of all studies as well as the specific issue of any external advice/consultation carried out for the Commission by external providers with the names of these providers as well as the country where the respective provider has its seat while also indicating the date the authorising officers committed the budget appropriations for the studies or the external advice broken down by years starting in 2009 ending 2013; expects that list to be submitted to the Committee on Budgetary Control until 1 May 2014.

Commission's response:

The reply with the requested information attached has been sent to CONT on 14 April by email(Ares(2014)1171594).

Getting results from the EU budget

161. (§312 - 2012/PAR/0459) The Parliament calls on the directors-general to define objectives corresponding strictly to the competences of the Union and according fully with the principle of subsidiarity.

Commission's response:

The policy objectives set are always within the limits of the powers assigned to the Union in the Treaties.

162. (§317 - 2012/PAR/0460) The Parliament stresses once again that such a performance framework [performance framework established by the Multiannual Financial Framework 2014-2020] should encompass the following three main elements: achievement of the programme objectives (results), sound programme management by the Commission and the Member States and how programme results and sound management contribute to the Union's main objectives.

Commission's response:

It is not clear to the Commission how the envisaged framework, encompassing three elements referred to by the EP, might supplement or otherwise change the monitoring, evaluation and reporting arrangements as provided in the legal bases for the programmes, which follow-through into the Commission's internal management instruments on which the evaluation report will rely, as Parliament has requested. The Art 318 evaluation report of 26 June 2014 on the financial year 2013 still reports on the performance of the previous MFF 2007-2013 programmes. Nevertheless, the Report already goes as far as possible in structuring performance findings along the three elements envisaged by the EP. Within the main budget headings the Report gives a comprehensive account, across relevant programmes, of three elements: 1) the main financial programmes and their link to Europe 2020; 2) an assessment of available performance results; 3) an account of operational aspects of performance. Looking at the future, the Art 318 evaluation report of 26 June 2014 sets out the performance frameworks for the MFF 2014-2020 programmes. These are based on the legal acts supporting the MFF 2014-2020 programmes as adopted by the co-legislators.

163. (§318 - 2012/PAR/0461) The Parliament calls on the Commission to make the Central Exclusion Database public.

Commission's response:

The Commission is aware of the need of ensuring public access to the list of debarred firms and is currently preparing a legislative proposal for reviewing the systems in place in order to improve their functioning, including on this aspect.

SR 8/2012 Targeting of aid for the modernisation of agricultural holdings

164. (*Part I, §3 - 2012/PAR/0462*) The Parliament calls on the Commission to improve the Common Monitoring and Evaluation Framework (CMEF) so as to obtain an efficient tool for the Member States and the Commission which generates relevant data to be used for monitoring the results obtained with the funds spent on measure 121; insists on the need to develop reliable indicators to allow comparisons between Member States (and/or regions) and to monitor the achievement of the Union's priorities.

Commission's response:

The monitoring and evaluation system has been subject to review by the Commission and Member States in order to improve its efficiency and effectiveness, especially in terms of reliability and comparability and foster ownership by sharing good practices and building capacity. According to the new legal framework for the rural development policy 2014-2020, quantified result indicators will be used to assess progress towards targets established ex ante at programme level.

Furthermore, Managing Authorities will have to ensure that there is an appropriate secure electronic system to record, maintain, manage and report statistical information on programme implementation, particularly as progress towards the defined objectives and priorities.

165. (*Part I, §5 - 2012/PAR/0463*) The Parliament considers necessary to avoid dispersion in the areas of regulation, application and budget and to give this measure uniformity in its implementation by Member States.

Commission's response:

Article 45 of Regulation (EU) No 1305/2013 (EAFRD) lays down general rules for investments. In addition, the Commission has prepared a measure fiche for investments in physical assets, part of which the improvement of the overall performance and sustainability of the agricultural holding is.

However, support to farm restructuring should be targeted by individual Member States according to their specific situation in terms of structural and territorial needs as identified by the SWOT. Article 8 of Regulation (EU) No 1305/2013 requires also that the allocation of financial resources to the measures of the programme is justified and adequate to achieve the targets set.

For reasons of concentration of limited available resources and in order to avoid deadweight, in the case of investments to support farm restructuring, Member States have to explain in the programme how the support is targeted based on the SWOT analysis and needs assessment carried out in relation to the Union priority for rural development "enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests".

166. (*Part I, §6 - 2012/PAR/0464*) The Parliament notes that in this regard, it is necessary to provide them [farms] with a sufficient budget given the significant present deficit and taking into account the context of strong competitiveness in Union agriculture and the progressive liberalisation of world markets and trade.

Commission's response:

The Commission has taken the requested action. Article 8 of Regulation (EU) No 1305/2013 requires that appropriate targets are set for each of the focus area of the Union priorities for rural development. The same article requires also that the allocation of financial resources to the measures of the programme is justified and adequate to achieve the targets set.

167. (Part I, §9 - 2012/PAR/0465) The Parliament is of the opinion that it is necessary to maintain specific support for the modernisation of associative operating systems for agricultural purposes as it has proved objectively to solve problems of insufficient economic dimension and/or generational change.

Commission's response:

The Commission has taken the requested action. Under Article 17 of Regulation (EU) No 1305/2013 (EAFRD), investment support can be given also to group of farmers. Furthermore, the aid intensity for collective investments and investments made by young farmers can be increased by 20 percentage points, up to 90%.

SR 11/2012 Suckler cow and ewe and goat direct aids under partial implementation of SPS arrangements

168. (*Part II, §11 - 2012/PAR/0466*) The Parliament asks the Commission to add a targeting requirement for coupled direct aid schemes; notes that the Commission's implementing rules should require Member States to identify and justify agricultural areas in which coupled animal premiums could have a demonstrably beneficial effect and where there is a lack of real viable alternatives.

Commission's response:

Targeting requirements are now included in the legislation. Within the framework of the reform of the CAP towards 2020, the Commission has proposed that Member States may grant coupled support to sectors or regions under certain specific conditions. The Commission has adopted a delegated act fixing the conditions for the support including specifications on the requirements and on the targeting..

169. (*Part II, §12 - 2012/PAR/0467*) The Parliament calls on the Commission, in coordination with Member States, to clarify the most relevant types of specific farming activities to maintain agricultural production and sustain economic activity in regions with few economic alternatives and generate environmental benefits and to focus the support on farms and specific farming activities in disadvantaged regions facing environmental, social and economic risks.

Commission's response:

The legislator has considered that these concepts could be better defined at national level. The identification of the types of farming to be targeted is left to the Member States to take into account the real situation of the concerned sector or region on their territory.

Nevertheless within the framework of the reform of the CAP towards 2020, the Commission will be empowered to adopt delegated acts concerning the conditions for granting voluntary coupled support as well as the rules on consistency with other Union measures and on the accumulation of support. The Commission has adopted delegated act fixing the conditions for the support including specifications on the requirements and on the targeting.

170. (*Part II, §13 - 2012/PAR/0468*) The Parliament asks the Commission to specify the monitoring requirements and arrangements expected from Member States for the aid schemes concerning the animal sectors and include this in a legal instrument requiring Member States to use appropriate performance indicators and up-to-date data precisely lined to the envisaged outcomes from the animal aid schemes; is of the opinion that the Commission should implement a permanent monitoring framework that would indicate all the direct aids paid to support the animal sectors in Member States, including national aids and Pillar II support.

Commission's response:

Establishment of a common monitoring and evaluation framework with a view to measuring the performance of the CAP. Adoption of Regulations (EU) No 1306/2013, 1307/2013 and related delegated acts.

171. *(Part II, §14 - 2012/PAR/0469)* The Parliament requires the Commission, in coordination with the Member States, to undertake a comprehensive evaluation of the impact of the different support schemes and where appropriate, assess the impacts of alternative measures to improve production quality and competitiveness e.g. by encouraging herd improvements.

Commission's response:

The Commission regularly undertakes evaluations of all support schemes applied under the CAP. This was also the case for the direct payments applied to the beef and veal sector and sheep and goat sectors. The elements studied by the retrospective evaluations depend on the policy objectives set by the legislator.

Also, the Commission proposal for the CAP towards 2020 foresees a framework for monitoring and evaluation, in cooperation with MS.

SR 13/2012 European Union development assistance for drinking water supply and basic sanitation in sub-Saharan countries

172. (*Part III, §22 - 2012/PAR/0470*) The Parliament invites the Commission to integrate wastewater management in all future projects that promote effective and responsible water use, treatment and disposal, and encourage the protection and preservation of sub-Saharan Africa watersheds.

Commission's response:

The Commission accepts this request which requests a continuous effort to integrate wastewater management and watershed protection in all relative projects identified and formulated for sub-Saharan African countries.

SR 14/2012 Implementation of EU hygiene legislation in slaughterhouses of countries that joined the EU since 2004

173. (*Part IV, §28 - 2012/PAR/0471*) The Parliament strongly encourages the Commission to improve its supervision of official controls in the food and feed sector and believes that Regulation (EC) No 882/2004 on official feed and food controls is a step in the right direction.

Commission's response:

The Commission has an effective system for detecting weaknesses in Member States' food and feed controls and for ensuring that the actions promised by the Member States are delivered. In this context, the Commission reviews and updates its planning process on a regular basis to ensure that priorities for official control activities are set based on the latest information and taking into account factors such as risk, trade, policy and legislation.

174. (*Part IV, §29a - 2012/PAR/0472*) The Parliament urges the Commission, furthermore, to complete the follow-up of its earlier recommendations to Member States as a result of the review of the implementation of the 2004 hygiene package without further delay.

Commission's response:

The Commission through FVO audits regularly reviews the implementation of food safety legislation by the Member States and this is a constant and ongoing task. Where weaknesses are identified, the FVO issues recommendations and the actions taken by the Member States to address these recommendations are systematically followed up to ensure real improvements in food safety.

175. (*Part IV, §29b - 2012/PAR/0473*) The Parliament calls on the Commission to improve its guidance and supervision of Member States' preparation and implementation of the Multiannual National Control Plans and to take action improving its training actions.

Commission's response:

The Commission will continue to work with the Member States using the mechanisms and processes already established (Guidelines, MANCP network, Annual Reports) to ensure that MANCPs are useful tools in ensuring the effectiveness of official controls.

Striving for continuous improvement of its training actions in the framework of the initiative "Better Training for Safer Food" (BTSF), the Commission started to address the results of the most recent external evaluation, finalised in early 2013, by adequate actions.

SR 15/2012 Management of conflict of interest in selected EU agencies

176. (*Part V, §41 - 2012/PAR/0474*) The Parliament draws the Commission's attention to the need for a common regulatory framework on this matter; stresses the importance of it being a concerted action and calls for Parliament to be closely involved; asks the Commission to respect the proposed deadline for implementing this action and to report to the discharge authority on its outcome by May 2014, attaching the relevant legislative proposals to its report.

Commission's response:

According to the Joint Statement and Common Approach, endorsed by the EP, Council and the Commission in July 2012, the Commission is responsible for the follow-up to the Common Approach. Furthermore, the Common Approach specifically entrusts the Commission with the task of examining, together with the agencies, whether there is scope for a harmonised approach for the prevention and management of conflict of interests in EU decentralised agencies. As announced in its Roadmap of December 2012 and in line with the Common Approach, the Commission has developed guidelines on the prevention and management of conflicts of interest in EU decentralised agencies, in close cooperation with the agencies themselves. This approach was chosen, because guidelines can best address the different levels of risk between agencies. Indeed, the agencies have very different roles: some feed the Commission decision process (e.g. EFSA, EMA), others have regulatory powers themselves (e.g. EASA), while some act as observatories in their respective field (e.g. EMCDDA). Due to this difference in their roles, agencies' exposure to the issue of conflict of interest varies significantly from one to the other, depending notably on the tasks entrusted to them. This exposure also varies from staff, to Management Board members, to experts in Scientific Committees or Boards of Appeal members, depending on their respective power to influence the decision-making process at agency or Commission level. The Guidelines aim at supporting agencies, by providing a set of principles and tools that they should consider in order to develop their own conflict-of-interest policy, with due consideration to the specific context in which each one of them operates, as well as their degree of exposure to the risk of conflict of interest. The review of the transparency register, as welcomed by the EP, which lists all groups and organisations wishing to influence the EU decision-making process, needs to be seen within this context. However, the Commission also emphasises the fact that as the agencies are legally independent entities, they alone are responsible for the way they handle the issue of conflicts of interest in practice and notably, how they enforce and control that the key principles in this domain are respected. As such, ultimately, agencies are responsible for developing their own framework on conflicts of interest (including on declarations of interest, identification of risk levels, preventive and corrective actions), for its implementing, monitoring and reporting.

177. (*Part V, §42 - 2012/PAR/0475*) The Parliament asks the Commission to bear in mind the need to maintain a balance between the risks and the benefits, in particular as regards the management of conflicts of interest on the one hand, and the objective of obtaining the best possible scientific advice on the other; notes with concern, furthermore, that the adoption of ethical standards, codes and guidelines does not guarantee the absence of conflicts of interest; observes that this will require the implementation of simple and applicable standards, together with regular and

effective ex ante and ex post controls and clear sanctions, thereof, in the context of a culture of honesty, integrity and transparency.

Commission's response:

Please refer to the reply to 2012/PAR/0474

178. ***(Part V, §43 - 2012/PAR/0476)*** The Parliament notes that the Commission needs to address these issues [shortcomings relating to post-employment issues ('revolving doors', 'insider information')] without delay by means of action to be taken by both the agencies and by all Union institutions.

Commission's response:

Please refer to the reply to 2012/PAR/0474

179. ***(Part V, §49 - 2012/PAR/0477)*** The Parliament urges the Commission and the agencies to implement the measures stemming from that review [of the Transparency Register for lobby groups at the Union institutions] concerning potential conflicts of interest.

Commission's response:

Please refer to the reply to 2012/PAR/0474

180. ***(Part V, §52 - 2012/PAR/0478)*** The Parliament endorses the Court of Auditors' recommendation calling on all Union institutions and decentralised bodies to examine whether the recommendations of its Special Report No 15/2012 are relevant and applicable to them.

Commission's response:

This request is not specifically addressed to the Commission. It supports an ECA recommendation addressed to all EU institutions and decentralised bodies.

SR 16/2012 The effectiveness of the Single Area Payment Scheme as a transitional system for supporting farmers in the new Member States

181. (*Part VI, §54 - 2012/PAR/0479*) The Parliament is of the opinion that the Commission should ensure that the rules are implemented consistently among Member States in order to ensure, for example, that the same types of beneficiary are excluded in all Member States.

Commission's response:

Adoption of R1307/2013 and related delegated act provisions in respect of active farmer.

Furthermore, the Commission has provided a guidance document on the implementation of the active farmer clause.

182. (*Part VI, §55 - 2012/PAR/0480*) The Parliament stresses that the eligibility of land for aid should be clearly defined and limited to parcels on which Good Agricultural and Environmental Conditions (GAEC) standards require agricultural activities to be carried out; notes, with a view to the new CAP, that the eligibility of land should be clearly defined so as to exclude land that does not contribute to increasing agricultural productivity or to actively maintaining the environmental value of the land; believes, furthermore, that aid should only be paid for land on which well-defined and regular activities are carried out.

Commission's response:

Criteria such as "concrete and regular agricultural activity" could link the level of support to the performance of the beneficiary of an actual production obligation which would not be compatible neither with the CAP targets for achieving greater market orientation through decoupled direct payments, nor with the WTO "green box" conditions. In addition, diversification of activities is a valuable alternative to limited growth opportunities within the farm sector.

Under the current legislation (Article 2 of Regulation (EC) No 73/2009) any natural or legal person exercising an agricultural activity might receive direct payments. However, Member States have a possibility to restrict access to direct payment by applying Article 28(2) of that Regulation. Besides, it has to be noted that it is an obligation for Member States to establish minimum requirements for GAEC.

In the CAP reform the issue was addressed through the definition of active farmer and of agricultural activity (Article 9 and 4 of Regulation (EU) No 1307/2013). The definition of an agricultural activity entails, instead of maintenance of land in GAEC under current rules, that the land should be maintained in a state suitable for grazing and cultivation without any particular preparatory action. Member States shall establish criteria to be met by farmers for respecting this maintenance requirement. Furthermore, in case of agricultural land naturally kept in a state suitable for grazing and cultivation, farmers have to carry out a minimum activity to be established by the Member State.

183. (*Part VI, §57 - 2012/PAR/0481*) The Parliament calls on the Commission to analyse the extent to which the effectiveness and efficiency of direct payments are adversely affected by structural weaknesses and land prices; believes that on the basis of this

analysis, the Commission should take complementary measures to restructure the sector and render it more competitive.

Commission's response:

The issue of land prices has been analysed in a study on the functioning of land markets, in the CAP Health Check – Impact Assessment, and a further study on market factors is currently under way in the RTD 7th Framework Programme. Besides, an evaluation by the Commission has been made on the impact of direct support on farm structures.

As regards the tools offered, SAPS support helps farmers to mitigate adverse effects of the structural weaknesses by providing an effective income insurance and minimum stability of revenue. In addition, other CAP instruments such as rural development support and farm advisory system are available to farmers to help tackling most of the issues mentioned by the Court. Those measures are designed and chosen by the Member States among a wide range of possibilities to fit their needs in terms of farm modernisation, training of employees, etc.

SAPS support helps farmers to mitigate adverse effects of such structural factors.

184. (Part VI, §58 - 2012/PAR/0482) The Parliament invites Member States to consult with the Commission as they prepare for the introduction of a future entitlement-based scheme; believes in particular that Member States could use the Commission's assistance to help identify key requirements for national administrations and farmers.

Commission's response:

The Commission services are available for consultations and assistance if there is a need and upon request from the Member State interested. Several consultations were already held with MS to discuss the rules under the new CAP proposals and such assistance is foreseen to continue. This has been done through the discussion of the delegated and implementing rules within the framework of the expert group (delegated rules) and the management committee (implementing rules). Bilateral meetings are being held with Member States officials to clarify doubts regarding the implementing choices allowed by the basic Regulation.

SR 17/2012 The European Development Fund (EDF) contribution to a sustainable road network in sub-Saharan Africa

185. *(Part VII, §64a - 2012/PAR/0483)* The Parliament calls on the Commission to attach mandatory conditions to its financial support and to react appropriately when partner countries fail to comply with their commitments.

Commission's response:

In accordance with the principle of aid effectiveness and in coordination with other donors, the Commission is gradually shifting from a system based on direct conditions to a more articulated system of output-based performance assessment frameworks.

In the 11th EDF programming exercise, the EC has already reacted and withdrawn from supporting the road sector in countries that showed unsatisfactory commitment. In the countries where transport infrastructure remains a focal sector, the Commission will respond firmly in case of unsatisfactory commitment of national government.

A guidance note is in preparation to implement this recommended action.

186. *(Part VII, §64b - 2012/PAR/0484)* The Parliament encourages the Commission to use policy dialogue to its full potential.

Commission's response:

The Commission agrees on the need to reinforce the dialogue and to monitor continuously the government performances in the sector.

This action will imply the need to address the issues at stake during the identification and formulation phases of 11th EDF projects at two levels:

- National: in those countries where transport infrastructure remains a focal sector;

- Regional: in all Sub-Saharan Africa regions through the financing of regional transport corridors and trade facilitation.

A guidance note is in preparation to implement this recommended action.

187. *(Part VII, §67a - 2012/PAR/0485)* The Parliament invites the Commission to present a report, within six months, on how defining the Commission policy on road infrastructure takes into account the protection of the environment and the promotion of road safety.

Commission's response:

In order to provide guidance to the EC Delegations to apply and reinforce the EC development policy on environmental protection and road safety promotion, an Operational Handbook "Transport Infrastructure" has been prepared by DG DEVCO. For the knowledge of the European Parliament, DEVCO has elaborated an extract of the updated version of this Handbook (2014), including all the relevant information on environmental and road safety issues.

188. *(Part VII, §67b - 2012/PAR/0486)* The Parliament would also like to be informed about how Union funded projects are coordinated with other donors and

organisations, not only in the field of road constructions, but also in matters concerning planning and maintenance.

Commission's response:

About coordination with other donors and organisations, DEVCO prepared a complementary note to the Commission response to question no. 68, in order to provide more information on this issue.

189. (Part VII, §68 - 2012/PAR/0487) The Parliament recommends that the Commission responds firmly, proportionately and in a timely manner when governments show unsatisfactory commitment to addressing the issues raised and recommendations made including to assess the suspension or cancellation of EDF funding to individual programmes or the road sector as a whole.

Commission's response:

The Commission considers that a good option would be withdrawing from the sector in case of unsuccessful dialogue with a country partner. However, the Commission recalls that it cannot suspend funding when a specific works contract is signed and on-going. In the 11th EDF programming exercise, the EC has already withdrawn from supporting the road sector in countries that showed unsatisfactory commitment. In the countries where transport infrastructure remains a focal sector, the Commission will respond firmly in case of unsatisfactory commitment of the national government.

A guidance note is in preparation to implement this recommended action.

SR 18/2012 European Union Assistance to Kosovo related to the rule of law

190. *(Part VIII, §74 - 2012/PAR/0488)* The Parliament urges the Commission and the Member States to address the issue of staffing and to create appropriate incentives to encourage and attract highly qualified applicants.

EEAS's response:

On 28 March is PSC approval of CivCom advice on EULEX strategic review and suggest adding: Within the existing financial constraints, efforts are being for a transparent and merit-based, with proper communication, recruitment process. Lessons learned by EULEX, in particular during its downsizing, are being shared with other missions.

191. *(Part VIII, §75 - 2012/PAR/0489)* The Parliament calls on the Commission and Member States to review the rules governing the duration of EULEX secondments.

EEAS's response:

On 28 March PSC approval of CivCom advice on EULEX strategic review and suggest adding: regular efforts with all national authorities to promote extended stay for high achieving seconded staff.

192. *(Part VIII, §77 - 2012/PAR/0490)* The Parliament urges the Commission to take the particular challenges faced by northern Kosovo into account when planning its assistance.

EEAS's response:

Funded under IPA 2013 we have allocated EUR 38,5 million (Special IPA programme) in support of dialogue agreement implementation.

193. *(Part VIII, §78 - 2012/PAR/0491)* The Parliament calls for efforts to streamline the Union's presence in the country to be increased through better coordination and integration between Union institutions and the Kosovo authorities.

Commission's response:

The EU's presence in Kosovo has been streamlined by the nomination of a double-hatted Head of the EU Office and EU Special Representative in Kosovo as per 1 February 2012.

194. *(Part VIII, §81 - 2012/PAR/0492)* The Parliament calls on the Commission, the EEAS and Member States to ensure that their policy dialogues with Kosovo, particularly on strengthening the rule of law, are linked to incentives and priority conditions.

EEAS's response:

By 15/10/2014 we will report the transfer of some rule of law staff from EULEX to EUSR/EUO and at the next reporting period we will flag it as done.

SR 20/2012 Is Structural measures funding for municipal waste management infrastructure projects effective in helping Member States achieve EU waste policy objectives?

195. (*Part IX, §84 - 2012/PAR/0493*) The Parliament calls on the Commission to report to the discharge authority what are the reasons behind this situation [doubt on the Commission's effectiveness in managing public money], and what means it employs and/ or has envisaged to introduce in order to prevent such and similar failures.

Commission's response:

The Commission would like to emphasise that the Cohesion policy funds are implemented under 'shared management'. Member States are thus primarily responsible for the selection, implementation and monitoring of the co-funded projects. They report on the use of funds annually but at the aggregated level of priority axis, and not at project level. The Commission plays a supervisory role by satisfying itself that the arrangements governing the programme management and control system are compliant. It does so by verifying the effective functioning of this system and making financial corrections, where necessary.

Under the new Cohesion policy framework for the 2014-2020 programming period a number of novelties were introduced to increase the impact and effectiveness of the EU funding. For example, ex-ante conditionalities, including on waste management, have to be fulfilled to ensure that the proper institutional, regulatory and policy frameworks within which investment are carried out at Member State level, are in place and are effective before adopting programmes. To further reinforce the performance of funding, a certain share of the funds (i.e. performance reserve) is set aside at the start of the 2014-2020 period and will be released at a later stage based on the investments' quality and the achievement of certain objectives.

In addition, the Commission is continuously developing guidance to support Members States in the implementation. Recent documents related to waste management are the guides on Green Public procurement criteria for waste water infrastructure, on Multi-benefit policy investments in nature and green infrastructure and on Connecting smart and sustainable growth thorough smart specialisation. The Commission is also preparing a further guidance on cost benefit analysis for Major Projects. Assistance is also provided via various mechanisms, including JASPERS which supports specific major projects.

196. (*Part IX, §85 - 2012/PAR/0494*) The Parliament reminds the Commission that it should focus not only on legality and regularity of Union spending, but also on performance as its main goal.

Commission's response:

The Commission is aware of all aspects to be observed in EU spending. While legality and regularity of expenditure is the main element of controls and audits, extensive work during the evaluation of proposals from applicants, as well as monitoring of approved projects through all their life cycle permit the Commission firstly to achieve economies by better fine-tuning the approved projects and make them fitter for the policy they support and secondly to take necessary steps and correct problems that may be encountered during their implementation in order to provide for more cost-efficient and performing approaches.

197. *(Part IX, §86 - 2012/PAR/0495)* The Parliament believes that Union financial support should be linked to the achievement of Union waste policy objectives; (...) calls on the Commission to assess the data received from Member States for reliability [about their progress towards the achievement of Union waste policy objectives].

Commission's response:

The definition of ex ante conditionalities for the management of EU funds is a new tool whose implementation should ensure that the projects to be funded contribute to the achievement of EU waste policy objectives. In parallel, the recent legislative proposal for the review of waste targets includes specific measures to improve the reliability and comparability of waste statistics to better monitor MS's performance and distance to the targets.

198. *(Part IX, §87 - 2012/PAR/0496)* The Parliament urges the Commission, in relation to the 'polluter pays principle', to request from Member States the application of reduced rates of assistance when waste management tariffs paid by households do not cover operating costs and depreciation costs of municipal waste management, and to apply itself this principle when approving major projects.

Commission's response:

There is no legal basis to introduce conditions concerning the waste management charges to be paid by households in the allocation of EU funds. However, the Commission is assessing through its compliance promotion initiatives the adequacy of the existing waste charges and taxes and will encourage the use of economic instruments such as landfill taxes, EPR and 'Pay as You Throw' schemes. This aspect should also be addressed through the implementation of the new early warning mechanism proposed in the waste review.

199. *(Part IX, §88 - 2012/PAR/0497)* The Parliament stresses the importance of separate collection implementation, including biodegradable waste, in order to maximise the performance of waste management infrastructures and to progress towards the achievement of Union waste policy objectives.

Commission's response:

There is already an obligation for the Member States to set up by 2015 separate collection at source; Member States might claim that through Mechanical Biological Treatments (MBTs) there is separate collection. Although door-to-door separate collection is the best option, this is not mandatory; other systems may be acceptable if they are as effective as door-to-door collection. For at least paper, metal, plastic and glass separation good progress has been achieved. In addition, the Commission has proposed in the waste review to make separate collection of bio-waste mandatory as from 2025. Projects aimed at implementing separate collection schemes are fully eligible for EU funding.

SR 21/2012 Cost-effectiveness of Cohesion Policy Investments in Energy

200. (*Part X, §104 - 2012/PAR/0498*) The Parliament calls on the Commission to put forward proposals for obligatory energy audits in the public sector as a precondition for project co-financing from the Union budget.

Commission's response:

The new Energy Efficiency Directive requires the Member States to promote the availability of high quality energy audits to all final customers. The technical guidance for designing, implementing, financing and assessing investments in the area of sustainable energy in buildings (“Financing the energy renovation of buildings with Cohesion Policy funding”) stresses that any support provided should be conditional to an energy audit/energy performance certificate and verification of achieved results. However, an energy audit is not an obligatory precondition for Cohesion Policy co-financing in legal terms. What is legally applicable is rather an ex ante conditionality that requires Member States intending to support energy efficiency and renewable energy use in buildings to demonstrate that they have carried out a series of actions to ensure that minimum requirements are in place related to energy performance of buildings, including the existence of a system of certification.

SR 22/2012 Do the European Integration Fund and European Refugee Fund contribute effectively to the integration of third-country nationals?

201. (*Part XI, §115 - 2012/PAR/0499*) The Parliament asks the Commission for a follow-up on the national evaluation reports due on 31 October 2012.

Commission's response:

In order to measure the effectiveness of both Funds (EIF and ERF) with regard their effective contribution to the integration of third-country nationals (TCN), DG HOME analysed Member States contribution to integration using the national evaluation reports submitted by the Member States late 2012. This was done on the basis of common indicators set by the Commission in such a way as they are compatible with the Member States' own indicators at project level and they produce meaningful results at national and European level. The Commission report will be available in the course of 2014 and will be submitted to the EU institutions and widely published.

202. (*Part XI, §122 - 2012/PAR/0500*) The Parliament urges the Commission to discuss with Member States and adopt guidelines for implementation of the new Fund as soon as possible, duly taking into account the timetable for adoption of the new Fund.

Commission's response:

DG HOME started last year to prepare the future implementation of the Asylum, Migration and Integration Fund (AMIF). An important facet of this preparation were the "Policy Dialogues" with Member States (MS), preceding the preparation of the national multi-annual programmes. At these dialogues, which took place between June and November of 2013, useful guidance was provided on the expected use of the Fund, including the emphasis on the need for synergy and complementarity with the European Structural and Investment Funds (ESIF) and other EU funding instruments. Furthermore, the AMIF regulation includes a number of simplifications which respond to the objectives of more flexibility and complementarity. More flexibility as regards the target groups, especially for integration measures, addressing all TCN (including beneficiaries of international protection). Detailed Guidelines on programming have been provided to MS to help prepare their national multi-annual programmes. Moreover, there is the possibility to include TCNs relatives, under specific conditions.

203. (*Part XI, §128 - 2012/PAR/0501*) The Parliament calls on the Commission, in that respect, to give proper consideration and pursue the possibility of reinforced synergy between the two Funds [AMF and ESF] in the Partnership Agreements with Member States.

Commission's response:

DG HOME closely cooperates with other services (DGs) managing EU funds, in particular ESIF, to ensure complementarity and synergy. Consultations took place already in view of preparing for the policy dialogues, will continue during the negotiation of national programmes and will be concluded in the approval stage. DG HOME also makes observations on the draft Partnership Agreements of MS under the ESIF and regularly stresses the need to reinforce synergy with the AMIF and ISF. DG HOME will ensure that MS adopt appropriate arrangements

to maximise synergies and complementarity also at their level by introducing the relevant statements in the national programmes

204. *(Part XI, §129 - 2012/PAR/0502)* The Parliament calls on the Commission to encourage Member States to provide more detailed information on the coherence and complementarity between Union funds.

Commission's response:

As part of the national programmes, Member States (MS) have to provide information on the mechanism to be put in place to ensure coherence and complementarity between Union funds. Moreover, MS have the specific obligation to put in place at national level a coordination mechanism with the European Social Fund and as part of annual reporting, MS will also have to report on how they ensure coherence and complementarity with other EU financial instruments.

SR 23/2012 Have EU Structural Measures successfully supported the regeneration of industrial and military brownfield sites?

205. (*Part XII, §136 - 2012/PAR/0503*) The Parliament calls on the Commission and the Member States to apply a reimbursement clause in each grant agreement, [believes] that [the reimbursement clause] should take into account a long term/life cycle approach.

Commission's response:

The Commission considers that the inclusion of a reimbursement clause in the grant letter issued by the managing authority is a case of good practice which can usefully be included by Member States in their national rules. However, under the principle of shared management, since the Managing Authorities issue the grant decisions, they should also monitor the application of the reimbursement clause as they monitor the implementation of projects.

The Commission takes the view that going back to the projects 15 years after completion to see if revenues have been generated would increase significantly the administrative burden for the Member States and project promoters. The 2007-2013 regulation stipulates 5 years in case revenues cannot be expected or calculated at the time of approval whereas Article 61 of the 2014-2020 regulatory framework foresees "within three years of the completion of an operation or by the deadline for the submission of documents for programme closure".

However, the request is addressed at Member States, since the Commission does not sign grant agreements under shared management.

206. (*Part XII, §137 - 2012/PAR/0504*) The Parliament urges the Commission to require implementation of polluter pays principle as condition for granting Union funding.

Commission's response:

The polluter pays principle (PPP) is one of the key principles that applies to the EU funding programmes. The Commission is assessing through its compliance promotion initiatives the implementation of the Union's acquis and the respect of the PPP.

In particular for wastes, the Commission is assessing the adequacy of the existing waste charges and taxes and will encourage the use of economic instruments such as landfill taxes, EPR and 'Pay as You Throw' schemes. This aspect should also be addressed through the implementation of the new early warning mechanism proposed in the waste review.

SR 24/2012 The European Union Solidarity Fund's response to the 2009 Abruzzi earthquake: The relevance and cost of operations

207. (*Part XIII, §144a - 2012/PAR/0505*) The Parliament calls on the Commission to clarify why [although alerted to the inquiries by Aquila's prosecutor, the Commission] it has always refused to investigate whether or not Union funds have been paid out to economic operators linked to criminal organisations.

Commission's response:

It needs to be stressed that neither ECA, OLAF or the Italian prosecutor have ever transmitted to the Commission any suspicion of involvement of organised crime in relation to the EUSF grant. Furthermore, in its audit the Commission did not find facts confirming any or confirmed connections with the alleged involvement of organised crime.

Concerning the problems with the cost of the CASE project, the Commission did follow up on reports of inflated costs. The explanations given by the Italian authorities were satisfactory.

Finally, it is the responsibility of the Member State and its authorities to ensure the legality and regularity of the spending. The independent validity statement issued by the Italian authorities on the legality and regularity of the EUSF spending did not give rise to the need for further investigation.

208. (*Part XIII, §144b - 2012/PAR/0506*) The Parliament calls on the Commission to clarify why, although it was alerted to the fact that there could be problems with the cost of the CASE project, the Commission did not follow-up on this point.

Commission's response:

see reply to Part XIII, §144a - 2012/PAR/0505

209. (*Part XIII, §147 - 2012/PAR/0507*) The Parliament ask the Commission to monitor the development of thereof [the case of eight individuals who have been taken into custody by the Italian police under suspicion of manipulating building licenses for the reconstruction works that are taking place in the Abruzzi region and in the city of L'Aquila] and to report to Parliament on these developments including the criminal cases.

Commission's response:

The Commission will continue to monitor the developments regarding possible manipulation in the use of EU Funds.

SR 25/2012 Are tools in place to monitor the effectiveness of European Social Fund spending on older workers?

210. (*Part XIV, §155a - 2012/PAR/0508*) The Parliament calls on the Commission to promote these recommendations [to the Member States] when negotiating Operational Programmes; calls on the Commission to provide appropriate data on the means mobilised and the results achieved by the ESF to ensure the submission of consistent and reliable information by Member States, inter alia, by issuing common indicators to be included by Member States in their Operational Programmes.

Commission's response:

The Regulations for the programming period 2014-2020 contain relevant provisions so that Operational programmes are more performance and result-oriented (including a performance framework, in particular a mid-term performance review of the implementation of the operational programmes).

The 2014-2020 regulations set out that Member States shall provide the resources necessary for carrying out monitoring and evaluation, and ensure that procedures are in place to produce and collect the data necessary for evaluations, including data related to common and, where appropriate, programme-specific indicators. The Commission has worked with Member States for two years on common indicators before tabling its proposals for the future programming period and continues to do so in view of a common approach with MS towards the definition and implementation of ESF-related indicators. The Commission has also prepared guidance documents for Member States on monitoring and evaluation 2014-2020, as well as guidance on the ex-ante evaluation. It has held several learning seminars with ESF evaluation capacities, has prepared a practical guidance for ESF Managing Authorities for carrying out counterfactual impact evaluations and a technical note on programme-specific indicators.

The mandatory common output and result indicators established for the 2014-2020 period cover the most frequently funded target groups and entities. Common result indicators in particular will allow for capturing the results upon participants' leaving the ESF action and also in time (several months later). Programme monitoring by Member States shall always use common indicators and may use programme specific indicators where appropriate, to allow them to more adequately capture the results of the actions supported by these operational programmes. The Commission guidance document on programme-specific indicators lays out some possible approaches to defining such indicators at programme-level.

211. (*Part XIV, §155b - 2012/PAR/0509*) The Parliament calls on the Commission to analyse in depth performance issues when assessing the management and control systems.

Commission's response:

See reply to 2012/PAR/0508

SR 1/2013 Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products?

212. (*Part XV, §161 - 2012/PAR/0510*) The Parliament urges the Commission to approve only those RDPs that present substantiated and comprehensive strategies with a clear rationale to demonstrate how the financial support for the food industry will improve the competitiveness of agriculture.

Commission's response:

The Commission is taking the requested action. In the programming period 2014-2020, the achievement of the objectives of rural development, which contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth, is pursued through the Union priorities for rural development. One of the six priorities is the promotion of food chain organisation including processing and marketing of agricultural products, animal welfare and risk management in agriculture. This priority is divided into two focus areas; first one is to improve the competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organisations and inter-branch organisations.

Each rural development program shall implement a strategy to meet the Union priorities for rural development. The SWOT analysis of the situation and of the identification of the needs that have to be addressed has to be structured around the Union priorities. The program strategy has to demonstrate that appropriate targets are set for each of the focus areas of Union priorities and that relevant combination of measures are selected in relation to each of the focus areas based on a sound intervention logic supported by the ex ante evaluation and SWOT analysis.

The Commission will only approve rural development programmes fulfilling these requirements.

213. (*Part XV, §162 - 2012/PAR/0511*) The Parliament calls on the Commission to ensure that these criteria [Member States' selection criteria] are correctly and continuously applied and welcomes the Commission's proposal for the next programming period stipulating that selection criteria should be defined for operations under all measures.

Commission's response:

The requested action has been taken. Under Article 49 of Regulation (EU) No 1305/2013, the Managing Authority shall define selection criteria, which aims to ensure equal treatment of applicants, better use of financial resources and targeting of measures in accordance with Union priorities for rural development. In defining and applying selection criteria the principle of proportionality shall be taken into account in relation to the size of the operation.

The selection criteria are applicable to all measures with the exception of (multi)annual compensatory payments under Articles 28 to 31, 33 and 34 and the risk management measures under Article 36 of Regulation (EU) No 1305/2013.

In addition, beneficiaries may be selected on the basis of calls for proposals, applying economic and environmental efficiency criteria.

214. *(Part XV, §163 - 2012/PAR/0512)* The Parliament reiterates the belief that the Commission and Member States should promote the adoption of best practices in respect of the mitigation of deadweight and displacement risks; (...) ; requests that the Commission report back to the discharge authority on the progress made as regards exchange of best practices on the mitigation of deadweight and displacement risks with Member States.

Commission's response:

The requested action has been taken. A document titled "DRAFT DISCUSSION DOCUMENT ON TARGETING AND DISPLACEMENT RISKS" was prepared by the Commission (DG AGRI/H1) and presented in the 79th Rural Development Committee meeting in November 2013 (available in CIRCA). The document described all major points on deadweight and displacement made by ECA in the course of its audits on rural development in the last years, the reasons why the issues have been considered as such, the good practices discovered as well as the new legal changes in the EAFRD legal framework that ensure that the Commission has addressed these points. The document was complemented by the United Kingdom's presentation on how it addresses these two issues and an exchange with Member States in the committee.

Article 60(2) of Regulation (EU) No 1305/2013 provides that, with the exception of preparatory costs, expenditure under agricultural investment operations is eligible only after an application has been submitted to the competent authority, in line with general state aid practice. Furthermore, the same article provides that the Member States may require in their programmes that only expenditure that has been incurred after the application of support has been approved.

215. *(Part XV, §164 - 2012/PAR/0513)* The Parliament endorses the Court of Auditors' recommendation that in the new programming period, the Commission should improve the Common Monitoring and Evaluation Framework (CMEF) in a way that it provides useful information on the achievements of the projects and measures financed by means of enhancement of on-going evaluation activities; believes that current methodology, using lengthy mid-term evaluation reports, has proven to be inadequate.

Commission's response:

The proposals for the monitoring and evaluation system for the period 2014-2020 introduce a number of changes. There is no longer the requirement of a mid-term evaluation, instead extended annual implementation reports shall be submitted in 2017 and 2019 in which (among other things) progress towards achieving the objectives of the programme is to be set out and assessed (Regulation (EU) 1303/2013 (Art 50)). In order to be able to deliver the necessary information, Member States are required to carry out evaluations during the programming period according to an evaluation plan (see proposal for CPR art. 56). In this way, the reporting on results and impacts of the policy will be better adjusted to the information available at various stages of the programming period.

216. *(Part XV, §165 - 2012/PAR/0514)* The Parliament reminds the Commission that collecting detailed data at measure level is indispensable for enabling the CMEF to provide details as to the success of the measures.

Commission's response:

The CMEF contains a number of data at the measure level. However, to properly judge on the success of a policy, measures should not be looked at in isolation, since often it is more than one measure that contributes to reaching an objective, or similarly, an individual measure can contribute to more than one objective. For this reason, in the new Common Monitoring and Evaluation Framework, results will not be assessed at individual measure level but at the more appropriate focus area level.

SR 2/2013 Has the Commission ensured efficient implementation of the Seventh Framework Programme for Research?

217. (*Part XVI, §171 - 2012/PAR/0515*) The Parliament encourages the Commission to follow the Court of Auditor's recommendation to concentrate the ex-ante checks on riskier beneficiaries, thereby introducing the beneficiary risk profile, based on results from the ex-post controls and performance record.

Commission's response:

Improvements of the ex-ante control structure are continuous. For Horizon 2020 red flags will be built into the IT systems to indicate the risk profile of expenditure and previous audit results.

218. (*Part XVI, §173a - 2012/PAR/0516*) The Parliament encourages the channelling of research output into initiatives with a tangible beneficial impact on citizen's daily life, for example those that feed into the concept of smart cities and prevent the generation of research for the sake of research.

Commission's response:

The Horizon 2020 work programmes (which set out calls for proposals), are designed to maximise the impact of the supported activities, including tangible beneficial impact on citizens' daily life.

The current work programme((2014-2015) contains an entire call for proposals devoted to Smart Cities, accounting for a total budget of €200,5million.

It's worth noting that, under its "Secure Societies" challenge, Horizon 2020 supports research dedicated to the security of the citizen by enhancing the work of police, firemen and medics amongst many other things.

Horizon 2020 also supports world-class blue-sky research, (notably under the European Research Council), with the potential to trigger disruptive innovations of the future.

219. (*Part XVI, §173b - 2012/PAR/0517*) The Parliament encourages, therefore, the further advancement of research activities in this field [security and defence], with a view of exploiting possibilities for dual-use technologies and know-how transfer to the civilian sector, so as to better address societal challenges.

Commission's response:

Horizon 2020 maintains a civil research orientation covering civilian security research. In this context, the Work Programme 2014 – 2015, 14, Secure societies – Protecting freedom and security of Europe and its citizens will contribute to the implementation of the policy goals of the Europe 2020 strategy, the Security Industrial Policy (COM(2012) 417 final), the Internal Security Strategy (COM(2010) 673 final) and the Cyber Security Strategy (JOIN(2013)1 final).

As example of the topics covered, this programme aims to enhance the resilience of our society against natural and man-made disasters; to fight crime and terrorism; to improve border security and to provide enhanced cybersecurity.

Dual-use aspects are and will be opportunely considered with possible synergies being established with the corresponding stakeholders for instance under the

European Framework of Cooperation with the European Defence Agency or also with the European External Action Service.

220. (Part XVI, §178 - 2012/PAR/0518) The Parliament recommends, however, that it should be established beyond doubt that the instrument [RSFF] is used as an efficient tool for riskier research projects which would otherwise not be supported by commercial banks but could lead to major innovation breakthroughs.

Commission's response:

Following the opinion of the Independent Expert Group documented in the Second Interim Evaluation of the RSFF published on 30 June 2013 it was confirmed that "the RSFF clearly provided for an increased capacity of the EIB to lend to riskier projects and companies investing in RDI". Based on statistical data the report acknowledges that the RSFF managed to mobilise "additional private investment in research and innovation (i.e. multiplier effect) of € 30 billion (expected) / €34 billion (realised)". Data gathered at the end of FP7 further stresses the success of the RSFF under which by end-2013 114 projects with broad sector diversification located in 25 countries worth EUR 11.31 billion had been approved.

The focus of the RSFF successor under Horizon 2020 will support R&I goals in all sectors and policy areas crucial for tackling societal challenges, enhancing innovation and fostering sustainable growth by providing loans to midcaps, larger companies, research institutes, stand-alone projects, PPPs.

Additionally, the Risk Sharing Instrument (RSI) pilot (a dedicated instrument targeting research intensive, innovative SMEs and small midcaps) was launched in 2012 and is a guarantee facility which forms part of a single debt financial instrument. By end-2013, funding going to 23 intermediaries located in 14 countries allocated to 578 beneficiaries amounting to €1.21 billion had been approved.

Horizon 2020 makes greater use of financial instruments to attract yet more investment, both public and private, into Research, development and Innovation. For the first time, the programme will support equity investments, including by business angels and venture capitalists, into innovative firms (mainly SMEs) at the early stage of development, and will pilot a scheme to co-invest with technology transfer funds and offices. From a total budget of €2.84 billion covering debt and equity financial instruments and accompanying measures, at least one-third is likely to be absorbed by SMEs and small mid-caps.

SR 3/2013 Have the Marco Polo programmes been effective in shifting traffic off the road?

221. (*Part XVII, §184 - 2012/PAR/0519*) The Parliament urges the Commission to draw conclusions from the results of Marco Polo programmes (on-going) and to take the best practices, but also to learn from errors in the design and implementation for future programming.

Commission's response:

The Commission is taking the requested action.

Over the lifecycle of Marco Polo, the Commission continuously monitored the programme's results, which entailed modifications to its design (e.g. the proposal for amending regulation 923/2009). In May 2013, based on the operational data delivered by the programme, the Commission published a Communication on Marco Polo (COM(2013) 278), announcing a change of the approach regarding the funding for the freight transport services in the next MFF. Consequently, the programme in its current form has been discontinued and instead measures applicable for freight transport services have been incorporated in the framework of the revised TEN-T programme and the Connecting Europe Facility (CEF). Relevant best practices as well as the weaknesses of the Marco Polo programme will be taken in due consideration while designing and implementing a future funding scheme.

222. (*Part XVII, §191 - 2012/PAR/0520*) The Parliament considers that the expected results of future programmes should be weighted with the financial amounts allocated and the volume of the sector addressed.

Commission's response:

The Commission is taking the requested action.

Detailed actions, criteria, target group, expected impacts and a budgetary allocation for the new scheme supporting freight transport services will be based on a dedicated, in-depth ex-ante assessment and will be coordinated with other measures under the CEF framework.

223. (*Part XVII, §193 - 2012/PAR/0521*) The Parliament shares the view of the Court of Auditors that best practices from national experiences should have been used to improve the management and definition of the programmes.

Commission's response:

The Commission is taking the requested action.

While developing the Marco Polo programme, the Commission made an inventory of the national support schemes and carried out a relevant analysis in order to ensure synergy and to avoid duplication between different funding instruments at the EU and the Member States level. The Commission acknowledges the potential advantages of using the experience from national schemes but, at the same time, draws the attention that the EU-based programmes have a different nature in the sense that they need to be justified on grounds of subsidiarity. They need to address problems, which cannot be addressed by the Member States themselves and achieve objectives, which are not possible to achieve at the national level. There

are also significant differences between the Member States in terms of geographical location, freight flows, infrastructure availability, modes used, etc.

Taking the above into consideration, best practices from national experiences will be taken in duly consideration while defining the future approach.

224. (Part XVII, §194-195 - 2012/PAR/0522) The Parliament notes that it [the Union transport sector] faces enormous constraints (interoperability, different national regulations, sectors differently open to competition) which need additional measures other than financial support (regulatory, political will, proper implementation and enforcement). It recalls in that sense its resolution of 15 December 2011 on a Single European Transport Area pointing out that modal transfers cannot be achieved by means of legislation, but only by exploiting a functioning infrastructure, intrinsic advantages and strengths and incentives.

Commission's response:

The requested action has been taken.

A comprehensive strategy integrating a broad range of relevant measures was published in 2011. The White Paper of Transport presented a vision for a competitive and sustainable transport system and paved the way for establishing a genuine single European transport area. It is the basis for developing relevant sectorial transport policies using appropriate instruments (regulatory, financial etc.)

225. (Part XVII, §196 - 2012/PAR/0523) The Parliament calls on the Commission to look for improving participation of single mode operators that could also benefit from future initiatives; notes, however, the Court of Auditors' remark on the complexity of the programme as pointed by the beneficiaries who might have discouraged potential additional interested.

Commission's response:

The Commission is taking the requested action.

In order to explore different policy options for the new approach concerning efficient and sustainable freight transport services, the ex-ante assessment will go beyond the modal shift approach. Depending on the results of this assessment, the new approach may allow for participation of single mode operators, thus expanding the target group for this scheme. In addition, efforts will be made in the current legal and transport policy contexts to address the issue of complexity.

226. (Part XVII, §197 - 2012/PAR/0524) The Parliament considers that a poorly adapted regulatory framework together with a lack of proper information and communication of the programmes are also elements that need to be taken into account when analysing the programmes' weaknesses; calls on the Commission to seek solutions to improve and enlarge potential beneficiaries by reducing complexity and administrative burden as well as improving communication of future actions.

Commission's response:

The Commission is taking the requested action.

The communication and promotion aspects are considered important, and along with simplification of applicable procedures will be duly taken into consideration

(depending on the results of the ex-ante evaluation) while designing the new scheme in the given legal and funding framework (TEN-T and CEF).

As regards the EP statement about the regulatory framework of the Marco Polo programme, the Commission does not fully agree that it was poorly adapted. The implementing rules of the programme (annual work programmes and calls for proposals) followed in principle the provisions stipulated in the basic regulation, and where legally possible, tried to interpret these provisions to the benefit of the applicants/beneficiaries (e.g. the international dimension of the route from which the cargo is shifted was not fully clear in the regulation; this was interpreted that the modal shift can effectively take place in one country provided that the entire route is international).

The Commission also disagrees that there was a lack of proper information and communication. Actually, the communication efforts were improved over time. They were based on a dedicated study and included organisation of public events (conferences, info days), dissemination of newsletters, publication of ads in the traditional media, use of the social media etc.

227. *(Part XVII, §199 - 2012/PAR/0525)* The Parliament stresses, however, that the Commission should have been particularly attentive when measuring the results of beneficiaries; notes that the Commission did improve on the control of results.

Commission's response:

The Commission is taking the requested action.

The Commission acknowledges the need for appropriate tools and data to measure results of beneficiaries and this will be taken in due consideration while designing the new scheme in the given legal and funding framework in the given legal and funding framework (TEN-T and CEF).

228. *(Part XVII, §201 - 2012/PAR/0526)* The Parliament believes that the development of a strong methodology can serve also to provide information for potential operators that could be interested in modal shift, in particular SMEs with lack of resources to develop these tools.

Commission's response:

The Commission is taking the requested action.

The Commission acknowledges that adequate methodology for measuring of results, striking balance between the friendliness of use and accuracy of data should be set up while developing the new approach. However, it should be noted that following the policy evolution, the new targets will not necessarily be set in respect to the volumes shifted off the road.

229. *(Part XVII, §203 - 2012/PAR/0527)* The Parliament urges the Commission to provide more in-depth analysis for future programmes involving a modal shift.

Commission's response:

The Commission is taking the requested action.

The Commission has already launched an in-depth ex-ante assessment for the follow-up of the Marco Polo programme. However, depending on the results of

this assessment, the focus of the new scheme would not necessarily stay on the modal shift principle.

230. *(Part XVII, §204 - 2012/PAR/0528)* The Parliament calls on the Commission to take into consideration the higher risks involved [by the absence of market demand] and to learn from the unsuccessful experiences and combine financial incentives, possibly also with financial aid for infrastructure as pointed by the Court of Auditors, as well as with other regulatory measures.

Commission's response:

The Commission is taking the requested action.

The new scheme for the freight transport services will be designed taking into account specific characteristic of the sector, experience gained from Marco Polo programme as well as other national-based funding schemes. Integration with the framework established by the new TEN-T guidelines and use of the funding instrument provided under the CEF will facilitate harmonised and coordinated implementation of the scheme within the European transport policy.

231. *(Part XVII, §204 - 2012/PAR/0529)* The Parliament calls on the Commission to analyse trends in possibly reversing shift modes, to address solutions and to cooperate closely with the Directorates involved in order to have a systemic approach when drafting legislation and designing new financial support programmes.

Commission's response:

The Commission is taking the requested action.

The Commission acknowledges the challenge of avoiding reverse modal shift as an indirect effect of stricter emission limits. A relevant analysis had been undertaken to address the issue (e.g. The Sustainable Waterborne Transport Toolbox of 2011 and the subsequent progress report in 2013). The issue is furthermore being addressed by the European Sustainable Shipping Forum ESSF together with Member States and industry.

SR 4/2013 EU Cooperation with Egypt in the Field of Governance

232. (*Part XVIII, §213 - 2012/PAR/0530*) The Parliament notes that this Special Report on EU Cooperation with Egypt in the field of governance contains many important observations and that it is important that the Court of Auditors not only assesses the quality of financial management but also reviews the performance achieved with Union programmes; calls therefore on the Commission to regularly evaluate the results achieved.

Commission's response:

The Commission has taken the requested action. To measure the performance of its aid programmes, the Commission has tools that allow it to draw lessons from past experience. In addition to system and financial audits on each project it funds, the Commission, in line with the Project Cycle Management methodology, conducts regular independent results-oriented monitoring exercises as well as mid-term, final and ex-post evaluations. Five dimensions are systematically assessed: relevance, efficiency, effectiveness, impact and sustainability.

SR 5/2013 Are EU Cohesion Policy funds well spent on roads?

233. (*Part XIX, §217 - 2012/PAR/0531*) The Parliament calls on the Commission and Member States, in the context of the new programming period, to establish a reliable and measurable set of indicators in order to address this issue [while objective were set for the road projects, their impact on economic development could not be assessed due to lack of appropriate indicators].

Commission's response:

The Commission shares the view that road projects should have clear objectives accompanied by appropriate indicators and considers it already implemented.

The new legal framework of the ESI Funds for the 2014-2020 programming period contains a comprehensive performance framework and conditionality which will help in ensuring that future road projects will contain clear objectives accompanied by indicators.

234. (*Part XIX, §219 - 2012/PAR/0532*) The Parliament calls on the Commission to continue updating and adjusting its guide to cost-benefit analysis for investment projects, [which applies to all projects] and giving guidance on carrying out traffic forecasts.

Commission's response:

The Commission is updating its guide for cost-benefit analysis for the new programming period.

235. (*Part XIX, §220 - 2012/PAR/0533*) The Parliament calls on the Commission to facilitate an exchange of best practice among Member States with regard to establishing reliable traffic forecasts on the one hand, and calculating the possible economic impact of roadway constructions on the other hand.

Commission's response:

The 2008 Commission's Guide to Cost-Benefit Analysis of investment projects, which applies to all projects, gives guidance on carrying out traffic forecasts. The Commission will also invite JASPERS (Joint Assistance to Support Projects in European Regions, a partnership between the European Commission, the European Investment Bank, the European Bank for Reconstruction and Development and the Kreditanstalt für Wiederaufbau. It is a technical assistance facility for the 12 EU Member States that joined the EU in 2004 and 2007. It provides them with the support they need to prepare high quality major projects, which will be co-financed by EU funds) to consider this topic for planning their future networking platform meetings with Member States to promote the exchange of best practices.

The Commission considers that the effects on the economy depend not only on road projects but also on the contribution of other economic and social factors. In this regard the Commission recalls that this contribution of the road project to the economic effect can be disentangled from other contributions by means of an evaluation, not an indicator.

236. (*Part XIX, §222 - 2012/PAR/0534*) The Parliament asks the Commission to provide more information on the possible set-up of Union-wide unit cost information for

engineers preparing estimates for new projects, with a view to assisting beneficiaries in lowering their procurement costs.

Commission's response:

The Commission acknowledges the need for making available more detailed unit costs information and is considering the issue in the update of the Commission's Guide to Cost Benefit Analysis for the new programming period.

SR 6/2013 Have the Member States and the Commission achieved value for money with the measures for diversifying the rural economy?

237. (*Part XX, §226 - 2012/PAR/0535*) The Parliament points out the need for a greener, fairer and fully legitimate common agriculture policy, which represents the principle of "public spending for public goods"; believes that an increasing socio-political use of funds for rural development will lead to a boost of growth and jobs in rural areas.

Commission's response:

The Commission has taken the requested action. In the period 2014-2020 the EAFRD will continue providing support to rural and farm businesses, as well as service providers in rural areas. Infrastructural investments will also be supported. Following the adoption of Regulation (EU) No 1305/2013 the EAFRD enlarged its business support and now covers also small enterprises in rural areas. It foresaw new support options such as start-up aid for new activities of non-agricultural enterprises, for development of small farms, for investments in any type of rural infrastructure (including large scale renewable and broadband infrastructure) and services as well as support for variety of co-operational activities between various actors, creating in this way sufficient and bigger than in 2007-2013 possibilities for boosting growth and jobs in rural areas.

Moreover, it elaborated and enlarged the possible support provided through financial instruments, which should serve as another policy element contributing for rural and agricultural growth and job creation.

238. (*Part XX, §227 - 2012/PAR/0536*) The Parliament points out that appropriate diversification projects should aim to develop local infrastructure and local basic services in rural areas in order to prevent tendencies towards depopulation; believes that the projects should also aim at making rural areas more attractive to young people and should lead to new satisfactory and well-paid job opportunities.

Commission's response:

The requested action has been taken. Regulation (EU) No 1305/2013 provides a significant variety of support options for Member States for developing diversification projects and local basic services, support entrepreneurship in agriculture and rural areas in general, and enhance in this way job maintenance and job creation in rural areas.

239. (*Part XX, §231 - 2012/PAR/0537*) The Parliament believes that the Commission should approve only those RDPs that present substantiated and comprehensive strategies with a clear rationale that show how policy intervention will contribute to strategic aims of creating growth conditions and employment opportunities as well as countering rural depopulation.

Commission's response:

The Commission is taking the requested action. In the programming period 2014-2020, the achievement of the objectives of rural development, which contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth, is pursued through the Union priorities for rural development. One of the six priorities is the promotion of social inclusion, poverty reduction and economic development in rural areas. This priority is divided to three focus areas; facilitating diversification,

creation and development of small enterprises as well as job creation, fostering local development and enhancing the accessibility, use and quality of ICT.

Each rural development program shall implement a strategy to meet the Union priorities for rural development. The SWOT analysis of the situation and of the identification of the needs that have to be addressed has to be structured around the Union priorities. The program strategy has to demonstrate that appropriate targets are set for each of the focus areas of Union priorities and that relevant combination of measures are selected in relation to each of the focus areas based on a sound intervention logic supported by the ex ante evaluation and SWOT analysis.

The Commission will only approve rural development programmes fulfilling these requirements.

240. (Part XX, §232 - 2012/PAR/0538) The Parliament is of the opinion that the Commission should ensure that these criteria [Member States' selection criteria] are correctly and continuously applied, not only in cases of budgetary shortage.

Commission's response:

The requested action has been taken. Under Article 49 of Regulation (EU) No 1305/2013, the Managing Authority shall define selection criteria, which aims to ensure equal treatment of applicants, better use of financial resources and targeting of measures in accordance with Union priorities for rural development. In defining and applying selection criteria the principle of proportionality shall be taken into account in relation to the size of the operation.

The selection criteria are applicable to all measures with the exception of (multi)annual compensatory payments under Articles 28 to 31, 33 and 34 and the risk management measures under Article 36 of Regulation (EU) No 1305/2013.

In addition, beneficiaries may be selected on the basis of calls for proposals, applying economic and environmental efficiency criteria.

241. (Part XX, §233 - 2012/PAR/0539) The Parliament requests the Commission and Member States to exchange and promote the adoption of best practices in respect of mitigating the risks of deadweight and displacement.

Commission's response:

See reply to Part XV, §163 - 2012/PAR/0512

242. (Part XX, §234 - 2012/PAR/0540) The Parliament requires the Commission to encourage Member States to adopt the practice whereby expenditure for investments would be eligible only as of the date of grant approval.

Commission's response:

The requested action has been taken. Article 60 of Regulation (EU) No 1305/2013 states that with the exception of preparatory costs, only expenditure which has been incurred after an application has been submitted to the competent authority shall be considered eligible for investments falling under Article 42 of TFEU.

However, this is fully in line with the normal incentive requirements for investments in state aid rules (for example General Block Exemption Regulation).

Support for agricultural investments should not be subject to stricter rules than generally applicable state aid rules which are also used by the Structural Funds.

Moreover, Article 60 provides also possibility to Member States to provide in their programmes that only expenditure which has been incurred after the application has been approved by the competent authority shall be eligible for support.

243. (Part XX, §235 - 2012/PAR/0541) The Parliament calls on the Commission to ensure that Member States have effective systems to carry out checks on reasonableness of costs.

Commission's response:

The Commission is taking the requested action. The draft implementing act on controls and penalties includes a requirement for administrative checks to cover the verification of the reasonableness of the cost submitted, with the exception of operations implemented under the simplified costs options or in the form of contributions in kind. The costs can be evaluated using a suitable evaluation system, such as reference costs, a comparison of different offers (public procurement or private tendering) or an evaluation committee, or a combination of them.

The Commission covers the issue of evaluation of the reasonableness of costs during its audit missions on investment measures. It verifies that the Member State has established an effective system to evaluate the reasonableness of costs. Given the complexity of the subject, the Commission will continue to examine the issue during its audit missions. It will also continue the discussions with the Member States outside the Clearance of Accounts framework.

The number of audit missions is limited due to the number of available staff. Therefore, the number and scope of these missions are decided on the basis of a risk analysis. It should also be noted that in the new 2014-2020 programming period an extended use of standard costs is foreseen. This will reduce the risk of overstated costs.

244. (Part XX, §236 - 2012/PAR/0542) The Parliament invites the Commission and Member States to increase their efforts in reducing the administrative burden and ensuring that payments are made in a reasonable timeframe.

Commission's response:

The Commission is taking the requested action. Several simplification proposals have been taken on board for the period 2014-2020. There is one single regulation on the financing, management and monitoring of both pillars of the CAP (Horizontal Regulation). For rural development, various measures have been merged and streamlined, reducing the total number of measures from 39 to 17. In this context, provisions have been clarified, eligibility rules have been modified in order to be easier to implement and contract conditions have been made more flexible. Simplified costs options, i.e. standard scales of cost units, lump sums and flat-rate financing can be applied so that the processes of claiming, administering and auditing reimbursement for payments made will be easier for everyone.

In the context of its proposal for Horizontal Regulation (resulting to Regulation (EU) No 1306/2013), the Commission made proposal to align payment deadlines of area and animal-related rural development measures to the schedule of direct

payments so as to prevent late payments, i.e. putting a deadline for payments to 30 June of the year following the year of payment claim.

However, the legislator postponed the implementation of the rule until claim year 2018.

In the context of annual meetings with the managing authorities, the Commission services can take up payment delays if such emerge.

245. *(Part XX, §237 - 2012/PAR/0543)* The Parliament asks the Commission and Member States to ensure that for the forthcoming programming period 2014-2020, relevant and reliable information is obtained to facilitate the management and monitoring of the measure and to demonstrate the extent to which the aid given is contributing to the achievement of Union overarching priorities; believes that the targets for job creation should be realistic and that the numbers of jobs created should be accurately monitored; believes that the measures should be better managed throughout the programming period, particularly if it becomes apparent that targets set will not be achieved.

Commission's response:

The Commission agrees with the request and is taking care that in the preparation of the Common Monitoring and Evaluation Framework for the future period, which is currently being finalized (basic acts adopted, implementing acts under discussions), weaknesses observed during this period are taken into account. Therefore, for the next programming period, result indicators will rather be assessed as part of the RDP evaluation. It will also be done by developing more precise explanatory documents (fiches) for each indicator to avoid potential inconsistencies in data collection through misinterpretation.

For the next programming period 2014-2020 the Commission is developing a Common Monitoring and Evaluation Framework (CMEF), together with the Member States, which will allow the assessment, for each RDP, of progress in implementation against commonly defined target indicators for the priorities and focus areas selected for the programme. At the basis is an indicator plan which for each focus area sets the target and the planned outputs and expenditure for the measures that will be used to achieve the targets and objectives of the programme. The indicator plan represents more accurately the quantified intervention logic for each individual programme than does the current rigid axis structure

SR 7/2013 Has the European Globalisation Adjustment Fund delivered EU added value in re-integrating redundant workers?

246. (Part XXI, §243 - 2012/PAR/0544) The Parliament asks the Commission to make clear the rationale for setting the European Globalisation Fund apart from the European Social Fund.

Commission's response:

The EGF and the ESF are complementary policy measures. In line with the principle of subsidiarity, the mix of EGF measures designed at Member State level is largely complementary with mainstream ESF provisions to support transitions back to employment.

It should be noted that expenditure under the EGF is by its nature short-term and unpredictable whilst the ESF has been established to address medium to long-term structural problems, which require stable investment strategies. The Commission has therefore considered it better to keep the EGF outside the ESF context, and outside the Multiannual Financial Framework, allowing in turn the financial flexibility the EGF requires.

The decision whether to apply for ESF or EGF funding is made at Member State level (on condition that the ESF operational programme agreed with the Commission is compatible with such contemplated ESF support).

247. (Part XXI, §245 - 2012/PAR/0545) The Parliament asks on what rationale this figure is based [the Commission has proposed a re-integration objective of 50% of the redundant workforce to have found new jobs after 12 months of implementation].

Commission's response:

This was based on the average reintegration rate of the first 15 EGF cases, evaluated in the Mid-Term EGF evaluation, which was 41.8 % after 12 months and rising. This was not accepted by the Council and the European Parliament, who opted instead for the wording "find sustainable employment as soon as possible within the 6-month period before the final report [...] is due."

248. (Part XXI, §246 - 2012/PAR/0546) The Parliament asks [the Commission] for income support to be limited to 25% per EGF measures.

Commission's response:

The new EGF Regulation for 2014-2020 places a cap on allowances of 35%. This ceiling should further improve the efficiency and European added value of EGF measures and ensure that spending is focused above all on training, business start-up and similar active labour market policy measures.

249. (Part XXI, §247 - 2012/PAR/0547) The Parliament calls on all the parties concerned to switch to e-applications and limit additional information after the original application to exceptional cases, and, in any case, no later than three months after the original application.

Commission's response:

The Commission agrees that the 2007-2013 approval process has been long and therefore strives to minimise delays where possible whilst ensuring that due process takes place. The fact that EGF operates outside the Multi Annual

Framework unavoidably influences the timeline of procedures. The new EGF Regulation for 2014 to 2020 imposes timelines on the applicant Member States, the Commission and the Budgetary Authority, so that the approval process will be significantly shortened. In addition, the Commission is actively working to make progress in reducing the time necessary for approval procedures, for example through the development of e-applications and the simplification of procedures as much as possible within the framework of the Regulation.

SR 8/2013 Support for the Improvement of the economic value of forests from the European Agricultural Fund for Rural Development

250. (Part XXII, §249(a) - 2012/PAR/0548) The Parliament notes that the Commission should define and assess Union needs for improving the economic value of the forests and in that respect integrate efforts and insights of related policy fields.

Commission's response:

The Commission's Communication (COM (2013) 659 final) of 20 September 2013 entitled "A new EU Forest Strategy: for forests and the forest-based sector" – along with its accompanying Staff Working Document (SWD (2013) 343 final) – present detailed analysis of the EU forest sector and its needs. The broad thrust of this analysis is reflected in Regulation (EU) No 1305/2013.

251. (Part XXII, §249(b) - 2012/PAR/0549) The Parliament notes that the Commission should clearly define the key features that would ensure that Union support is targeted to address those needs, and thus create Union added value.

Commission's response:

The Commission is taking the requested action. In the programming period 2014-2020, the achievement of the objectives of rural development, which contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth, is pursued through the Union priorities for rural development.

Each rural development program shall implement a strategy to meet the Union priorities for rural development. The SWOT analysis of the situation and of the identification of the needs that have to be addressed has to be structured around the Union priorities. The program strategy has to demonstrate that appropriate targets are set for each of the focus areas of Union priorities and that relevant combination of measures are selected in relation to each of the focus areas based on a sound intervention logic supported by the ex ante evaluation and SWOT analysis.

The Commission considers that more specific needs should continue to be assessed and defined at national and programme level by the competent national and regional authorities.

The Commission believes it continued to define basic eligibility conditions at EU level and more precise eligibility conditions and selection criteria should be set within individual RDPs. It believes that its proposals for a rural development policy for after 2013 follow this approach

Member States are required in the new Measure 25 ("Investments in equipment and improvements to the economic value of forests") to explain how their Rural Development Programme is contributing to the focus areas within the Union's priorities. The Commission prepared guidance documents for MS for each forestry measure in order to ensure that the key features are defined in RDPs.

252. (Part XXII, §252 - 2012/PAR/0550) The Parliament notes that the Commission should improve its monitoring of the measure in order to ensure that the Member States implement it in line with the specific objectives set and in order to obtain short and long term sustainability.

Commission's response:

The monitoring and evaluation system has been subject to review by the Commission and Member States in order to improve its efficiency and effectiveness, especially in terms of reliability and comparability and foster ownership by sharing good practices and building capacity. According to the new legal framework for the rural development policy 2014-2020, quantified result indicators will be used to assess progress towards targets established ex ante at programme level.

In practice, it has been difficult for MAs to compile the necessary data and conduct the analysis required to establish values for these types of result indicators as part of their regular monitoring activities for the programming period 2007-2013.

Therefore, for the programming period 2014-2020, the establishment of values for this indicator will be undertaken by the programme evaluators.

The Commission considers this a feasible and adequate approach.

SR 9/2013 EU support for governance in the Democratic Republic of the Congo

253. *(Part XXIII, §253(a) - 2012/PAR/0551)* The Commission and the EEAS should with a view to programming for the 11th EDF and the design of future Union programmes, (i) pay increased attention to ensuring an appropriate balance of aid between provinces, especially the poorer ones, in order to avoid geographical disparities in the distribution of development aid while bearing in mind the importance of stabilising the Great Lakes region as a whole; (ii) combine support at a central level with programmes at the provincial level that link political and territorial decentralisation with improved natural resource management strategies and infrastructure rehabilitation and development; and (iii) consider Union support for improved management of natural resources on the basis of a comprehensive needs assessment.

Commission's response:

See reply to recommendation 1 (a) of the Special Report 9/2013.

While sharing the general preoccupations expressed by the Court, the Commission and the EEAS do not accept the recommendation of the Court and will not be taking the requested action. The reason for this is that:

(i) The Commission will continue to aim at achieving an appropriate balance of aid between all provinces including the poor ones in full coordination with other donors and taking into consideration that the poorest DRC provinces are also the least populated.

(ii) The Commission will continue to involve local actors in the implementation of its projects, and within the limit of their capacity. The Commission will also support their capacity building.

(iii) The Commission will continue to support the improved management of natural resources provided that it is confirmed as a sector of the 11th EDF and in the context of work sharing arrangements with other donors.

254. *(Part XXIII, §253(b) - 2012/PAR/0552)* The Commission and the EEAS should place greater emphasis, in its dialogue with the Democratic Republic of the Congo (DRC) government, on the fact that democratic elections are a key component of governance and carefully assess all risks to ensure that Union programmes in this area do not support regime entrenchment.

Commission's response:

The requested action has been taken.

The Commission and the EEAS maintain close contacts with the CENI and other relevant national institutions in support of the democratic development of DRC. The EU supports pluralism in DRC both in parliament and in civil society, and will continue to take measures to strengthen both. Concerning the specific risk of "regime entrenchment", the Commission and the EEAS will ensure that all EU programmes in this area are in line with EU political options and democratic principles promoted by the EU while respecting the sovereignty of the partner country.

255. *(Part XXIII, §253(c) - 2012/PAR/0553)* The Commission and the EEAS should promote improved DRC government accountability by considering increased support

to strengthen the capacity of national oversight institutions, in particular the specialised committees of the National Assembly and the supreme audit institution.

Commission's response:

See reply to recommendation 1 (c) of the Special Report 9/2013.

The requested action has been taken.

The Commission and the EEAS will continue to strengthen and possibly increase the capacity of national oversight institutions, in the context of work sharing arrangements with other donors. Special attention is given to the improvement of public finance management systems, especially in our main focal sectors, in the 11th European Development Fund (EDF).

256. (Part XXIII, §253(d) - 2012/PAR/0554) The Commission and the EEAS should in all governance areas covered by the Union cooperation strategy, systematically consider the need to support the fight against fraud and corruption, as well as the reform of the judiciary.

Commission's response:

See reply to recommendation 1 (d) of the Special Report 9/2013.

The Commission and the EEAS are taking the requested action. The fight against fraud and corruption is not only considered in governance areas, but also in other focal areas such as health and natural resources.

257. (Part XXIII, §254(a) - 2012/PAR/0555) The Commission should at the outset of programmes and regularly during their implementation, assess the likelihood and potential impact of the main risks to the achievement of programme objectives; notes that this will involve (i) appraising the relevance and credibility of the country's policies and action plans for improving governance in relation to the available institutional and financial resources and (ii) monitoring progress against commitments made by the DRC authorities.

Commission's response:

See reply to recommendation 2 (a) of the Special Report 9/2013.

The Commission and the EEAS agree with the recommendation since these are principles that the Commission already applies.

The Commission is taking the requested action. Effective risk management requires attention to political, operational and fiduciary risks at the relevant moments in the programming and project cycle, in particular at project identification and formulation.

258. (Part XXIII, §254(b) - 2012/PAR/0556) The Commission should establish measures to prevent or mitigate risks and clearly define the course of action to be followed if risks become reality, bearing in mind the risks of fraud and corruption in particular.

Commission's response:

See reply to recommendation 2 (b) of the Special Report 9/2013.

The Commission and the EEAS do not accept this part of the recommendation.

The course of action to be followed if risks become reality will be defined taking into account the overall political situation prevailing at the time and in coordination with other donors.

259. (Part XXIII, §255(a) - 2012/PAR/0557) The Commission should focus objectives on a limited number of priorities.

Commission's response:

See reply to recommendation 3 (a) of the Special Report 9/2013.

The requested action has been taken. In line with agreed policy for EDF programming, the EEAS and the Commission have delimited four sectors of concentration in the Democratic Republic of the Congo.

260. (Part XXIII, §255(b) - 2012/PAR/0558) The Commission should set out a time frame, including mid-term evaluations, which is better adapted to the programme environment.

Commission's response:

See reply to recommendation 3 (2) of the Special Report 9/2013.

The Commission and the EEAS cannot agree to this recommendation.

The Commission designs projects on the basis of its best knowledge at the specific time, taking into consideration the constraints of the Financial Regulation. If problems or delays occur, projects may be amended and possibly extended.

Moreover, a monitoring and evaluation system is already in place to help informing these decisions.

261. (Part XXIII, §255(c) - 2012/PAR/0559) The Commission should provide for flexibility during the programme implementation so that objectives can be reviewed promptly where appropriate.

Commission's response:

See reply to recommendation 3 (c) of the Special Report 9/2013.

The Commission and the EEAS cannot agree to the recommendation.

As is normal practice, the Commission amends programmes notably following Result Oriented Monitoring (ROM) missions and policy/political dialogue with partner countries.

262. (Part XXIII, §256(a) - 2012/PAR/0560) The Commission and the EEAS should strengthen their structured political and policy dialogue with the country; notes that this will involve, in full respect of the provision of the Cotonou Agreement (notably article 96) (i) setting clear, relevant, realistic and time-bound targets which are mutually agreed upon with the national authorities, (ii) periodically assessing compliance with the agreed targets as part of the regular political dialogue with the government, and (iii) if the DRC government shows insufficient commitment to compliance, consider, after careful deliberation, adapting or in exceptional cases, suspending or terminating the programme.

Commission's response:

The Commission accepts the European Parliament request, which is different from the related one presented by the Court of Auditors (4 (a) of the Special Report 9/2013), and takes into account the Commission's original response regarding the principles agreed internationally in 2011 for a “New deal for engagement in fragile states”. This involves:

(i) Setting clear, relevant and realistic benchmarks taking into consideration the fragility of the country; (ii) periodically assessing compliance with these agreed benchmarks; (iii) discussing with partner country compliance gaps and corrective measures in the context of political/policy dialogue, and (iv) keeping in mind the need to promote aid predictability.

263. (Part XXIII, §256(b) - 2012/PAR/0561) The Commission and the EEAS should urge the DRC government to adopt the necessary measures for improving, where necessary, the functioning of the thematic working groups, and monitor the implementation of those measures.

Commission's response:

See reply to recommendation 4 (b) of the Special Report 9/2013.

The Commission is taking the requested action; this is a responsibility of the entire donor community, including the EU. It is currently done through policy dialogue of all donors and the DRC government.

264. (Part XXIII, §256(c) - 2012/PAR/0562) The Commission and the EEAS should take a more active leadership role towards Member States to encourage coordinated policy dialogue and increase Union leverage over the DRC government.

Commission's response:

See reply to recommendation 4 (c) of the Special Report 9/2013.

The Commission and the EEAS cannot accept the recommendation.

The Commission and the EEAS are fully engaged in encouraging coordinated EU policy dialogue. The EU leverage over the DRC is not just a matter of development aid, but rather a function of the comprehensive relation between the EU and the partner country.

265. (Part XXIII, §257(a) - 2012/PAR/0563) The Commission should provide Parliament by May 2014 with an overview of the state of play of the projects visited by the Court of Auditors.

Commission's response:

The Commission is taking the requested action.

The Commission could provide the Parliament an update on the state of play of the visited projects by the end of June.

266. (Part XXIII, §257(b) - 2012/PAR/0564) The Commission should provide Parliament by June 2014 with an overview of all on-going projects in DRC and inform it on how much money will be still available and from which funds.

Commission's response:

The totality of the 10th EDF funds for DRC has been completely committed and therefore there is no money available from existing EDF funded projects. An overview of available funds will be given for Budget funded projects. The Commission will shortly provide a list of ongoing projects in DRC funded from EDF and Budget funds.

SR 10/2013 Common Agricultural Policy: Is the specific support provided under Article 68 of Council Regulation (EC) No 73/2009 well designed and implemented?

267. (*Part XXIV, §258(a) - 2012/PAR/0565*) Specific support for certain agricultural activities should be based on a strict understanding of the provisions of Article 68 and the new delegated acts should require that the granting of such coupled support should be adequately justified to the Commission and checked by it.

Commission's response:

In the post-2013 CAP, the Member States will have to inform the Commission on the regions targeted, the selected types of farming or sectors and the level of support to be granted. In doing so, they will describe the reasons why the coupled support is envisaged and what the expected effects are.

Where the decision taken by the Member State triggers the derogation from the basic percentage of the national ceiling, a detailed description of the particular situation in the region targeted and of the particular characteristics of the types of farming or specific sectors which justify the increased level of support will be required. Where the Member State's decision is subject to approval, specific constraints such as the lack of alternatives or the need to provide stable supply to local processing industry shall be demonstrated.

Regulation (EU) No 1307/2013 of EP and Council was adopted on 17.12.2013 and the related delegated act on 11.03.2014.

268. (*Part XXIV, §258(b) - 2012/PAR/0566*) The Parliament notes that to be able to assume its ultimate responsibility under the system of shared management, the Commission should play a more active role in establishing the criteria governing the implementation of the measures, and in assessing measures in a comparative way to avoid unexplained and extreme variations in prices, such as those identified in the examples for goats in this Special Report; notes that the legal tools to do this should be established in the new delegated acts.

Commission's response:

In the context of the post-2013 CAP reform, the Commission has empowerment to define the conditions for granting the aid through delegated acts.

The Commission's objective is to introduce a clear simplification in comparison with the current specific support as the voluntary coupled support will refer only to one of the nine measures existing under Article 68. This means that despite the list of sectors eligible being more extended than before, the number and the diversity of the objectives of the support are restricted to one category (i.e. the economic vulnerability of certain types of farming). The Commission considers that this will reduce the risk of overlapping and accumulation of support.

Regulation (EU) No 1307/2013 of EP and Council was adopted on 17.12.2013 and the delegated act was adopted on 11.03.2014 (C1476 final).

269. (*Part XXIV, §258(c) - 2012/PAR/0567*) The Parliament notes that the Member States should be required, in the new delegated acts, to demonstrate that each specific support measure which they intend to introduce is necessary (in terms of the need for and added value of an approach based on derogations), relevant (in terms of

implementation arrangements, award criteria and aid levels), and that it satisfies the criteria of sound financial management.

Commission's response:

Under the powers the Commission has been given through delegated acts, notably the conditions for granting the support will be defined.

As a general rule, the Member States will have to inform the Commission on the regions targeted the selected types of farming or sectors and the level of support to be granted. In doing so, they will describe the reasons why the coupled support is envisaged and what the expected effects are.

Where the decision taken by the Member State triggers the derogation from the basic percentage of the national ceiling, a detailed description of the particular situation in the region targeted and of the particular characteristics of the types of farming or specific sectors which justify the increased level of support will be required. Where the Member State's decision is subject to approval, specific needs like the lack of alternatives or the need to provide stable supply to local processing industry shall be demonstrated.

Regulation (EU) No 1307/2013 of EP and Council was adopted on 17.12.2013 and the related delegated act on 11.03.2014.

The adoption of delegated acts on direct payments is expected on 14 March 2014.

270. (Part XXIV, §258(c) - 2012/PAR/0568) In particular and in response to the point expressed by the Court of Auditors that “clearly defined cases” were not clearly defined, implementation of the new Regulation (EU) No 1307/2013 should overcome the problems identified, by Member States:

(a) establishing clear targets (as per Financial Regulation (EU, Euratom) No 966/2012);

(b) creating systematic monitoring systems for all measures taken under the new Articles 52-55 of Regulation (EU) 1307/2013;

(c) respecting uniformity in application across the Union so that management and control systems can be streamlined, simple, and comparable;

(d) ensuring documentation of all measures/sub-measures and the use of up to date integrated administration control system (IACS) information where relevant;

(e) establishing rigorous on-the-spot checks at regional and Member State level.

Commission's response:

The Commission considers that these recommendations are addressed to the Member States. The following may however be noted:

First the establishment of a common monitoring and evaluation framework with a view to measuring the performance of the CAP and the adoption of Regulations (EU) No 1306/2013 on the financing, management and monitoring of the CAP and of Regulation No 1307/2013 for direct payments to farmers. The related delegated and implementing acts are under finalization, in particular inter alia the implementing act laying down rules with regard to the integrated administration and control system (IACS), rural development measures and cross compliance.

Regarding uniformity in application across the Union, complete uniformity is not possible as Member States are responsible, within the framework established at EU level, for deciding and designing the support measures to be implemented and will have to ensure that such measures are verifiable and controllable (Cf also reply to 2012/PAR/0570.

Finally, the Commission services will follow-up, through both monitoring and audit activities, that Member States use up-to-date IACS information and perform on-the-spot controls of sufficient quality.

271. (Part XXIV, §259 - 2012/PAR/0569) Taking account of the variety of possible measures an appropriate system of monitoring should be established to facilitate subsequent evaluation.

Commission's response:

The implementing rules adopted by the Commission provide for obligations for the Member States to periodically inform on the actual uptake of the measures implemented. Such obligations are necessary for the Commission in order to comply with its own obligation to regularly report to the WTO since coupled support is concerned as derogation from the global decoupled orientation of the direct payments schemes. For coupled support, minimum information will be required on support measure sand on the amounts actually paid as well as the number of beneficiaries per region, sector and/or type of farming in every Member State.

Notifications submitted by the Member States at various dates will allow the Commission to follow the actual implementation of the scheme for all the direct support measures implemented irrespective of the sector concerned as well as the compliance with the budgetary ceilings fixed.

More generally, R 1306/2013 includes the establishment of a common monitoring and evaluation framework in cooperation with the Member States with a view to measuring the performance of the common agricultural policy, including first and second pillar measures.

272. (Part XXIV, §260 - 2012/PAR/0570) The Parliament notes that in order to avoid generating disproportionate costs on the limited scale of a specific support measure, the requirement for controls should already be taken into account during the measure's design phase (simplicity of implementation, 'controllability' of criteria, etc.) or possibly even in the decision on whether or not to introduce a given measure.

Commission's response:

Member States are responsible for deciding and designing the support measures to be implemented and will have to ensure that such measures are verifiable and controllable. Therefore, they shall take into account the costs for management and control resulting from the possible implementation of coupled support measures and the possible need of setting up ad hoc control systems.

SR 12/2013 Can the Commission and Member States show that the EU budget allocated to the rural development policy is well spent?

273. (*Part XXV, §264 - 2012/PAR/0571*) The Parliament believes that the Commission should ensure - prior to their approval- that the Member States' RDPs contain clear objectives and evaluation plans that will provide information on the results achieved by the planned actions according to the agreed objectives and in time to inform policy decisions for the next programming period.

Commission's response:

The achievement of Rural Development Objectives shall be pursued through six Union priorities defined in Article 5 of Regulation (EU) No 1305/2013 (RD regulation).

The new legal framework (Commission Implementing Regulation supplementing the RD regulation adopted in July 2014) requires that the RDPs will have to clearly describe the intervention logic, i.e., how the planned expenditure is addressing the programme's strategy with quantified targets set at programme level which contributes to each of the focus areas of the Union priorities for rural development. The Commission Implementing Regulation also lays down detailed requirements for the evaluation plans, including evaluation of contribution of the RDPs to each of the Union priorities and assessment of result and impact indicators values.

It will not be possible to approve the RDPs, if the programme does not contain clear intervention logic addressing Rural Development objectives or clear evaluation plans.

274. (*Part XXIV, §265 - 2012/PAR/0572*) The Parliament asks to be clearly informed on the achieved results of the spending on rural development.

Commission's response:

The achievement of Rural Development Objectives shall be pursued through six union priorities defined in Article 5 of Regulation (EU) No 1305/2013 (RD regulation). Commission Implementing Regulation supplementing RD regulation

The legal framework (Commission Implementing Regulation supplementing the RD regulation adopted in July 2014) provides for common structure for intervention logic, i.e., how the planned expenditure is addressing the programme's strategy with quantified targets set at programme level which contributes to each of the focus areas of the Union priorities for rural development.

At the technical level the common intervention logic will be enforced in the mandatory electronic system for data exchange between the Commission and the Member States, which shall significantly contribute to better and harmonised M&E of all national and regional rural development programmes and efficient way of reporting on progress of RDPs towards targets set for each Union priority/Focus Area.

275. (*Part XXIV, §266 - 2012/PAR/0573*) The Parliament agrees with the Court of Auditors that improvements to monitoring and evaluation should be made for the

remainder of the current spending period (end of 2015) to ensure that the Union budget is spent well.

Commission's response:

The Commission worked with the Member States to improve the guidance and offered support for evaluation, notably through an 'Evaluation Helpdesk'. A thematic working group was launched to prepare the guidelines for the ex-post evaluations of the current RDPs. The main elements of these guidelines were discussed in the evaluation expert network in February 2014; a final version is available under the following address: http://enrd.ec.europa.eu/evaluation/library/evaluation-helpdesk-publications/en/evaluation-helpdesk-publications_en.cfm#guidancein

276. (Part XXIV, §267 - 2012/PAR/0574) The Parliament recommends that the Commission and Member States improve the evaluation of the results of RDPs in the current funding period and use the findings to improve the RDPs for the 2014-2020 funding period.

Commission's response:

The Commission worked with the Member States to improve the guidance and offered support for evaluation, notably through the 'Evaluation Helpdesk'. A thematic working group was launched to prepare the guidelines for the ex-post evaluations of the current RDPs. The main elements of these guidelines were discussed in the evaluation expert network in February 2014; the final version was adopted in June 2014.

Following the mid-term evaluations, the Commission analysed the weaknesses and has used the experience gained when planning the Common Monitoring and Evaluation Framework for the 2014–20 period.

277. (Part XXIV, §268 - 2012/PAR/0575) The Parliament calls on the Commission to improve the Common Monitoring and Evaluation Framework (CMEF) for 2014-2020 so as to obtain an efficient tool for the Member States and the Commission which generates relevant data to be used for monitoring and evaluation; insists on the need to develop reliable indicators to allow comparisons between Member States (and/or regions) and to monitor the results of the various rural development measures and their contribution in achieving the Union's priorities.

Commission's response:

The Commission has already addressed the recommendation by a new design for the 2014-2020 Monitoring and Evaluation system. However, in the proposed design of the new monitoring and evaluation system, although data on output is available at measure level, since often more than one measure contributes to a given objective, and similarly one measure can contribute to more than one objective, results will not be assessed at individual measure level, but at the more appropriate focus area level.. Instead of a Mid-Term Evaluations, there will be enhanced Annual Implementation Reports in 2017 and 2019, which will incorporate evaluation findings. The first will concentrate on elements related to programme steering, and the second on providing an initial assessment of the impact of the Rural Development Programmes. Member States are required to carry out evaluation activities throughout the programming period in accordance with the Evaluation Plan included in the Rural Development Programmes. Thus,

assessment and reporting on the results and impacts of the policy will be linked more appropriately to the stage of implementation of the Rural Development Programmes.

Quantified target indicators are foreseen for each of the Focus Areas. Annual reporting in the Annual Implementation Reports is required for each of these. For some Focus Areas, the target indicator is set at output level. Where the relevant result indicator is more complex and not suitable for use as a target monitored annually, its value will be assessed through evaluation, and reported in the 2017, 2019 and ex post reports.

278. (Part XXIV, §269 - 2012/PAR/0576) The Parliament calls on them [the Commission and the Member States] to ensure that RDPs are drawn up with clear requirements for use of those indicators [compulsory common indicators for the 2014 - 2020 monitoring and evaluation framework for the CAP and RDPs].

Commission's response:

Common sets of context, result and output indicators are set out in the Commission Implementing Regulation supplementing Regulation (EU) No 1305/2013 (RD regulation). They are designed to capture the contribution of each RDP to Rural Development objectives through six union priorities as defined in Article 5 of Regulation (EU) No 1305/2013 (RD regulation).

The Commission Implementing Regulation was adopted in July 2014. At the same time, guidelines for the use of those indicators were provided.

279. (Part XXIV, §270 - 2012/PAR/0577) The Parliament considers necessary to avoid dispersion in the areas of regulation, application and budget, and to give this measure uniformity in its implementation by Member States.

Commission's response:

The Commission has taken the requested action. Article 8 of Regulation (EU) No 1305/2013 requires that Member States have to explain in their programmes how the support is targeted based on the SWOT analysis and needs assessment structured around the Union priorities for rural development. Furthermore, the same article requires that appropriate targets are set for each of the focus area of the Union priorities for rural development.

However, support should be targeted by individual Member States according to their specific situation in terms of structural and territorial needs as identified by the SWOT. Article 8 of Regulation (EU) No 1305/2013 requires also that the allocation of financial resources to the measures of the programme is justified and adequate to achieve the targets set.

280. (Part XXIV, §271 - 2012/PAR/0578) The Parliament calls on the Commission to ensure that Parliament receives the Annual Implementation Reports foreseen for 2017 and 2019 in a timely manner, so that it is also able to assess the results indicators and impact of the RDPs.

Commission's response:

This is ensured by the transparency provision in Article 50 of the Common Provision Regulation for the European Investment and Structural Funds, (EU) No

1303/2013: following the admissibility and examination process, the Annual Implementation Reports shall be made available.

SR 14/2013 European Union direct financial support to the Palestinian Authority

281. (*Part XXVI, §274-275 - 2012/PAR/0579*) The Parliament urges the Commission and the EEAS to address the following issues without delay and to act together with the Palestinian Authority and inform Parliament and the Council about the progress made in due time. Inter alia:

(a) the Commission does not apply its standard internal quality review procedures to the annual PEGASE DFS programme, which prevents it from fully assessing its effectiveness and efficiency in comparison to other Union aid programmes;

(b) no performance indicators were included in the financing agreements making it more difficult to assess the concrete results of the support, especially as regards the percentage of the programme's funds spent on administrative costs compared to the percentage of funds disbursed to the eligible beneficiaries;

(c) the Commission has not prepared a risk assessment addressing issues such as corruption in Gaza with regard to the payroll system, which also raises concerns about the risk of money laundering and terrorist financing;

(d) significant weaknesses persist in the Palestinian Authority's public finance management, such as inadequate legislative scrutiny of the budget and the external audit reports, or the lack of proper government procurement and commitment controls.

Commission's response:

Concerning the introduction of performance indicators and the assessment of the effectiveness and efficiency of the programme, the Commission will apply the indicators used by the Palestinian Authority in its National Development Plan 2014-2016 and relevant sector strategies. In addition a dedicated results-oriented framework, covering both fiscal/policy reforms and service delivery, based on the Palestinian National Development Plan and its sector strategies, is currently under preparation – in coordination with EU member States in the framework of the EU Local Development Strategy. The Court of Auditors' report considered that the Commission managed to deliver the PEGASE programme successfully.

The Commission will not take the requested action as regards the risk of money laundering and terrorist financing, since the request disregards the comments from the Court of Auditors, which said that there is no evidence of misuse of funds and on the contrary each Euro of the PEGASE contribution is traceable and the list of beneficiaries fully checked by external auditors. Furthermore, each beneficiary is checked against international sanction lists.

The improvement of Palestinian Authority's public finance management was addressed, through two Technical Assistance programmes to reinforce PA Internal Audit and Internal Control Departments, which were positively evaluated by external evaluation. The EU has also supported the State Audit and Administrative Control Bureau (SAACB) – the PA Supreme Audit Institution. The PA's achievements in the area of audit were highlighted in the Public Expenditure and Financial Accountability (PEFA) assessment produced in June 2013. According to this assessment, the "developments of internal audit in line ministries, as well as the efforts to increase the capacity and role of external audit, in a short period of time are impressive".

With regard to the lack of legislative scrutiny, the Commission and EEAS cannot disagree with this remark, but, in the absence of a functioning Palestine Legislative Council, cannot bring about the necessary change from outside. Nevertheless, it should be noted that since the installation of the new Technical Unity Government in June 2014, plans have been announced for the PLC to reconvene and Pres. Abbas has tasked the Central Elections Committee with preparing Presidential and Legislative elections for 4th December 2014.

282. (Part XXVI, §276 - 2012/PAR/0580) The Parliament encourages the Commission to make the application of competitive tendering procedures mandatory with a view to seeking the best value for money and ensuring a level playing field between all market participants, allowing for derogations in crisis situations.

Commission's response:

The Commission accepts the spirit of the request to consider competitive tendering as the general rule, but cannot accept to make the application of competitive tendering procedures mandatory.

The applicable legislation (FR and its rules of application) allows for derogation in different situations, whereof crisis situation is one of the cases. In view of the recognition of a crisis situation in Palestine, which includes the possibility of derogation, it would not be useful to lay such tendering mandatory. However, in order to reduce the costs for administering PEGASE DFS, the need for increased competitive tendering has already been taken into account. The Commission has already taken the required steps to reduce the costs of administering PEGASE DFS. A number of tenders have already been concluded and others launched. The Commission has committed to extend competitive tendering for contracts relating to the management and control of PEGASE DFS whenever feasible.

283. (Part XXVI, §277 - 2012/PAR/0581) The Parliament encourages the Commission and the EEAS to continue the efforts to increase the Palestinian Authority's financial independence from outside sources.

Commission's response:

The Commission and EEAS have, for a long time, been of the view that the Direct Financial Support should be reduced. Nevertheless, the recurrent financial difficulties of the PA have made this impossible to achieve. While Palestine continues to have limited control over its resources, its dependence on outside sources and international donors will be inevitable.

The Commission and the EEAS consider that, in the current situation, all possible measures to address the issue of sustainability of EU co-operation with Palestine and to reduce Palestine's independence from external aid, are already in place.

284. (Part XXVI, §278 - 2012/PAR/0582) The Parliament urges the Commission and the EEAS to fully take into account the Court of Auditors' findings with regard to the absence of conditionality of the Union direct financial support to the Palestinian Authority which weakens the Commission's and EEAS's potential leverage towards more reforms.

Commission's response:

Among the recommendations made by the Court of Auditors on PEGASE Direct Financial Support, the one on conditionality was the only one rejected. PEGASE

DFS is provided to the Palestinian Authority without explicit conditionality, this was a deliberate choice by the Commission, the EEAS and the Member States in line with their political objectives in the Middle East peace process. However, the EEAS and the Commission are monitoring the indicators contained in the Palestinian national development plan and relevant strategies, on whose priorities PEGASE was and remains based. While the absence of formal conditionality is due to the unique circumstances, this does not imply the absence of leverage vis-à-vis the PA. The leverage for reforms exists, is effective, and takes place at different level – including through the ENP policy dialogue process. A dedicated results-oriented framework is currently under preparation (expected to be finalised by the end of the year), and which will further structure the monitoring and support the policy dialogue related to PEGASE DFS.

The introduction of formal conditionality would be an unjust and unproductive pressure to put on a government which has only limited control over its resources and its fragmented territory. Therefore, the Commission will not be taking the requested action.

285. (Part XXVI, §279 - 2012/PAR/0583) The Parliament calls, therefore, on the Commission and the EEAS to see if the "more for more" principle regarding the implementation of the PEGASE mechanism can be applied and to closely monitor its disbursement; expects to be informed on possible progress made.

Commission's response:

As per the request on conditionality, the Commission and the EEAS consider that the "more for more" principle is not applicable to Palestine. Reforms are encouraged through policy dialogue, which has helped building a close and trustful relationship between the Palestinian Authority, the EU and other donors.

Although some governance areas still need improvement and democratic elections could not be held since 2006, the process of state-building has made remarkable progresses as stated by the 2010 assessment of the World Bank, the International Monetary Fund and the United Nations (UN). In 2011, the Ad Hoc Liaison Committee reconfirmed that assessment of the state readiness of the PA, proving that the approach adopted by the international community, among which the EU is the largest and most reliable donor, was effective and efficient in promoting reforms in the direction of state-building.

286. (Part XXVI, §280 - 2012/PAR/0584) The Parliament calls on the Commission and the EEAS to engage with the Palestinian Authority without delay to address these structural issues [reform the civil service and pension systems], and to report regularly to Parliament and the Council on the state of play.

Commission's response:

The comment under this paragraph referred in particular to the issue of the civil servants not working/prevented from working in Gaza.

The decision to continue considering PA civil servants in the Gaza strip as eligible for PEGASE DFS was a conscious one, based on the political need to continue supporting the PA's presence there; however the Commission and the EEAS had already agreed to take into consideration this request by finding a solution with the Palestinian Authority. The discussions at local level are now shifting towards the modalities for reintegration of the civil servants. To note, however that the

situation on the ground is changing, due to the reconciliation process between Hamas and Fatah, which has led to the formation of a Technical Unity Government on 2 June 2014.

287. (Part XXVI, §281 - 2012/PAR/0585) The Parliament requests that the Commission ensures that funding is only made available based on end beneficiaries from the agreed list of persons.

Commission's response:

The Court of Auditors affirmed that a robust control mechanism of ex-ante and ex-post external audits on the list of beneficiaries is already in place. The Court found no evidence of misuse of funds or of possible diversion of funds to non-agreed beneficiaries.

288. (Part XXVI, §284 - 2012/PAR/0586) The Parliament urges the Commission and the EEAS to raise the issue concerning the necessity to establish a robust internal controlling mechanism to prevent any possible diversion of any public funding from its own budget or the PEGASE DFS to any physical or legal person representing or associated with Hamas without delay.

Commission's response:

The Commission will not be taking the requested action, since it has already established a robust internal verification system, already in place (notably checking each beneficiary, at each payment against the international sanctions list). The request does not take into account the content of the Court of Auditors' report and in particular the effectiveness of the current ex-ante and ex-post external audits to which the PEGASE system is subject, recognised as robust by the Court.

289. (Part XXVI, §286 - 2012/PAR/0587) The Parliament calls on the Commission and the EEAS to continue engaging with the government of Israel on these issues and to keep reminding it of its obligations as the occupying power under the international law.

EEAS's response:

Done through political dialogues in 2014

290. (Part XXVI, §287 - 2012/PAR/0588) The Parliament calls on the Commission and the EEAS to fully take into consideration the Court of Auditors' findings and conclusions and to fully implement its recommendations when reviewing the PEGASE DFS mechanism in the future.

Commission's response:

The Commission and EEAS have expressed their disagreement with only one recommendation from the Court of Auditors concerning conditionality and the reasons for such rejection have been extensively explained. All other recommendations from the Court, even when partially accepted, have been taken into consideration (and for most of them anticipated) for the revision of the PEGASE mechanism.

The two recommendations requiring immediate action, namely the one on competitive tendering (see reply to 2012/PAR/0580) and the one on Gaza non-workers (see reply to 2012/PAR/0584), were addressed in a timely manner.

Other recommendations require a longer process of revision of the PEGASE mechanism, but are equally being taken into account.

The policy dialogue accompanying the PEGASE Direct Financial Support implementation takes into consideration political events on the ground and other recommendations such as those stemming from the external evaluation of PEGASE DFS. An evaluation of Pegase DFS on the period 2011-2013 is currently going-on and will also feed the on-going review of the mechanism.

Eighth, ninth and tenth European Development Funds

291. (EDF §3 - 2012/PAR/0589) The Parliament calls on the Commission to provide an overview of the 30 largest and 30 smallest projects being implemented by NGOs using EDF funding, and an overview of how much of their own funding the organisations have invested in each of these projects.

Commission's response:

The Commission has collected the information requested. The lists of the 30 largest and smallest projects implemented by NGOs using EDF funding are ready and due to be provided to the European Parliament after the summer break.

292. (EDF §5 - 2012/PAR/0590) The Parliament calls on the Commission to apply the EDFs' financial regulations' provisions on interest relating to larger pre-financing payments and to closely examine the situation in the delegations to draw up a clear inventory of contracts with open pre-financings.

Commission's response:

The Commission acknowledges the fact that the specific rules on interest income generated from pre-financings, paid of more than € 750.000, for which annual recovery is foreseen in the Financial Regulation, were not always strictly followed by the sub-delegated authorising officers.

However, instructions have been issued, and the amount recorded as interest on Pre-financing increased by 300% in 2013 compared to 2012, from 1.3 MEUR in 2012 to 4.7 MEUR in 2013; this fact outlines the greater awareness of sub-delegated authorising officers due to training sessions and reminders sent from HQ. For 2013, the estimated amount not yet recovered is estimated at less than 1 MEUR. Some other mitigating facts:

a. An analysis shows that around 50% of the contracts have no interest, which is in line with previous analysis performed by DG DEVCO and the ECA. Thus, the potential number of contracts with interest can be considered very limited compared to the total population.

b. The same analysis shows that in many cases the amount of interests that should be recovered yearly is very limited, thus many Authorising Officers prefer to let common sense prevail above the strict application of the FR on annual recovery and wait until the project closure in order to recover or net-off the interest.

c. The new FR for the future 11th European Development Fund cancels the application of this provision: interests are not anymore due for pre-financings (like it is already the case for the General Budget).

293. (EDF §7 - 2012/PAR/0591) The Parliament strongly calls on the Commission to undertake further efforts and to continuously follow this issue [shortcomings in its information system] at all operational levels, EuropeAid's Headquarters and Union delegations.

Commission's response:

The Commission will not be taking the requested action. The reason for this is that the request of the European Parliament is too vague. It is not specific either ("shortcomings in its information systems") so that the Commission cannot assess

whether it concerns the quality of DG DEVCO's data, the adequate support of DEVCO's processes by information systems, or the performance of DEVCO's systems.

294. (EDF §14 - 2012/PAR/0592) The Parliament calls upon the Commission to further ensure follow-up and implementation of recommendations entailed in the Court of Auditors' reports for 2011 and 2012.

Commission's response:

The requested action has been taken.

As regularly done, the Commission closely monitors the implementation of the Court of Auditors' recommendations, ensuring that any recommendation is implemented within a two-year time frame from its acceptance.

295. (EDF §18 - 2012/PAR/0593) The Parliament calls on the Commission to review the contracts with external auditors whose audit reports provided to EuropeAid or to Union delegations have proven not to conform to professional auditing requirements or provisions of contracts.

Commission's response:

The Commission is taking the requested action.

It acknowledges that some audits/expenditure verifications reports provided to EuropeAid or to the EU Delegations are not at the expected level of quality. However, DG DEVCO is currently developing a quality review tool - i.e. quality review grids - to assess the quality of audit and verification reports. This tool is planned to be finalised and implemented in early 2015. The tool will also address the possible financial consequences for service providers which provide reports of insufficient quality.

296. (EDF §19 - 2012/PAR/0594) The Parliament Calls on EuropeAid and Union delegations to focus more on the follow-up of external audits and expenditure verification reports, especially when the recovery of ineligible amounts is at stake.

Commission's response:

The Commission is taking the requested action, setting up an IT tool to better follow-up external audits/expenditure verification reports and ensure that recoveries are performed when necessary.

297. (EDF §20 - 2012/PAR/0595) The Parliament calls on EuropeAid to remedy to this issue without delay [ongoing backlog due to late clearances and contract closures].

Commission's response:

EuropeAid has launched in 2013 an extensive campaign in order to sensitize the Authorizing Officers to the necessity to close the expired contracts. The actions already taken by the Commission are the following:

- Further tools have been developed (monitoring reports in DWH) in order to facilitate the timely follow-up of the closure and ensure timely clearance;*
- key Performance Indicators have been created (e.g. for expired contracts, old prefinancing, monitoring of old RAL);*

- an annual follow-up of old pre-financings and contract closures is included in the annual accounting work programme;
- the checklists have been updated in order to improve ex-ante checks.

298. (EDF §21 - 2012/PAR/0596) The Parliament calls on the Commission to continue its efforts to strengthen its current control systems, in particular to ensure a better business continuity and reliable document management as required by internal control standards, and to report annually to Parliament on the corrective actions implemented.

Commission's response:

The requested action has been taken.

All audits carried out so far by the Court of Auditors have come to the conclusion that the design of DG DEVCO's internal control system is correct. Nevertheless, weaknesses remains in its implementation. In order to address and correct these weaknesses, DG DEVCO set up a specific Action Plan in 2013, made up of 8 main axes and 23 short-term and permanent corrective actions, including as regards document management by both the Commission staff and the beneficiaries. DG DEVCO is monitoring closely and reporting regularly on the progress in the implementation of the actions taken, notably through a comprehensive follow-up report to be provided at the end of each year.

299. (EDF §22 - 2012/PAR/0597) The Parliament calls on the Commission to double efforts to develop and launch the CRIS-related audit module, and in particular the follow-up of all audit reports, in the immediate future.

Commission's response:

The Commission is taking the requested action: the new CRIS-related audit module is currently under development and scheduled to be in place by the 2nd quarter of 2015.

300. (EDF §23 - 2012/PAR/0598) The Parliament encourages the improved use of risk assessment in the framework of the follow-up of the Union delegation's portfolio of projects.

Commission's response:

The Commission will introduce the use of risk assessment in the framework of the follow-up of EU Delegations' projects portfolios, as well as Headquarters', as part of the current reform of monitoring of its development cooperation projects and programmes.

301. (EDF §25 - 2012/PAR/0599) The Parliament calls on the Commission to reinforce efforts to better analyse and document the main types of errors and to reduce the residual error rate (RER) in coming years.

Commission's response:

The requested action has been taken.

An Action Plan to correct the weaknesses in DG DEVCO internal control system was drawn up following the reservation in DEVCO 2012 Annual Activity Report and endorsed by Management in May 2013. As the residual error rate for 2013 is above the established materiality threshold again, a new reservation had to be

issued in the 2013 AAR. The 2013 RER study having revealed that the typology of the errors is similar to the one pointed out in the 2012 study, but that recurrent errors linked to the beneficiaries and the International Organisations still account for a significant part of the error rate, it has been decided in a Management Meeting in May 2014 that the Action Plan is still fully applicable, but additional Ad Hoc measures have been agreed so as to address new issues found in the RER study and the Court of Auditors' 2013 DAS (in addition to the actions already engaged) focusing specifically on the beneficiaries and the International Organisations, and notably to tackle the issue of the absence of supporting documentation.

302. (EDF §27 - 2012/PAR/0600) The Parliament calls upon the Commission and the Court of Auditors to use a comparable audit approach in future years for the sake of a continuous and comparable assessment within the discharge procedure.

Commission's response:

DG DEVCO has already carried out a major revision of the ToR and introduced a materiality concept for audits. All audits and verifications focus on compliance (with contractual conditions) so that the Commission's audit approach is comparable to the one of the Court of Auditors on these fundamental issues.

What is not comparable is the scope or time period covered. The Court has its basic concept of annuality and focuses on payments/transactions in a given year. The audits and verifications performed by the Commission focus on entire project/contractual periods which often run over the calendar year or even years (for multi-annual projects).

303. (EDF §28 - 2012/PAR/0601) The Parliament calls on the Commission to further reinforce its control mechanisms and training policies in order to prevent the reoccurrence of those weaknesses in the future [the lack of (adequate) supporting documents and the incorrect application of the procurement procedures by contractors and beneficiaries].

Commission's response:

The weaknesses identified in this finding, lack of supporting documents and the incorrect application of procurement procedures, have been reinforced in the training sessions given by DEVCO to its staff. Emphasis on these matters has also been put in the revisions of DG DEVCO Practical Guide (PRAG). Concrete measures were put in place in 2013 aimed at better document management and storage by partners and beneficiaries, apart from the training for delegations already mentioned.

Since grant contracts are the ones most exposed to risks in terms of document management, the following actions taken have to be mentioned:

- 1. Obligation to declare the precise location of the supporting documents introduced in art.16.7 of the 2013 version of the General Conditions.*
- 2. Specific section introduced in the 2013 version of the narrative report where to declare the location of the supporting documents (Annex IV template).*
- 3. Link in the newly developed implementation manual for grant contracts to the financial toolkit, where additional information on document management is available.*

4. The template for Guidelines to be used in Call for Proposals includes now a link to the implementation manual and to the toolkit as well.

Concerning Programme Estimates, where the risk of document management is also significant, the 2013 version of the Practical Guide on PEs already contains clear instructions (Chapter 4.1.9) on this subject.

All the above, makes DG DEVCO consider that the request has been implemented.

304. (EDF §29 - 2012/PAR/0602) The Parliament calls on EuropeAid to continue developing the appropriate tools and actions in order to improve the overall effectiveness of the control pyramid within EuropeAid's Headquarters and Union delegations through targeted awareness raising activities or the increased use of the financial management toolkit by staff and beneficiaries.

Commission's response:

The requested action has been taken.

This request is already addressed through the on-going implementation of the Action Plan intended to correct the weaknesses in DG DEVCO internal control system, notably with the following measures:

- Awareness-raising on the most common types of errors and the ways to avoid them has been actively initiated at both EU Delegations and HQ levels through meetings gathering all the Heads of Finance, Contracts and Audit sections in Delegations (in every regions) and units in Brussels. A second awareness-raising cycle has already started through further regional meetings and discussions (due to take place every year on a systematic basis), and through specific fora such as seminars involving Heads of Delegations, Operational or FCA sections;

-two manuals have been published in 2013: on the management of services contracts and on the management of grants contracts. These manuals are based on frequently-asked-questions (FAQs) and complemented with practical examples of recurrent issues stemming from the Court of Auditors' DAS (Statement of Assurance) reports and the Residual Error Rate (RER) studies. Both manuals are published as a chapter of the DG DEVCO E-Companion;

- as regards the Financial Management Toolkit, it will be inserted in June 2014 as an annex into the newest version of the E-Companion, which will make it possible for external users to better access it. The Toolkit is also constantly referred to in every course and training delivered to the HQ and Delegations staff, with an emphasis on the necessity to remind the beneficiaries to use it. Further measures are also being planned to raise its knowledge and promote its use, especially by the beneficiaries: some Delegations already organise information sessions for beneficiaries and reflection is on-going to make this more systematic in order to encourage the use of the Toolkit.

305. (EDF §31 - 2012/PAR/0603) The Parliament calls on EuropeAid and the European External Action Service (EEAS) to reinforce the supervision of the Heads of Union delegations in their capacity as authorising officers by sub-delegation for the Commission with a view to increasing their accountability in the context of the establishment of the annual activity report.

Commission's response:

The revised version of the External Assistance Monitoring Report (EAMR) which includes a statement of assurance signed by the Heads of Delegations was put in production on 01/01/2014 for reporting on year 2013. The main objective of this revised version is to increase the accountability of the Heads of Delegations and to assist the Heads of Union Delegations in his/her judgement towards assurance. This revised EAMR includes a new set of 26 Key Performance Indicators (KPI) for which annual targets or benchmarks were fixed by DG DEVCO. Delegations' performance compared to benchmarks are automatically assessed through a traffic light system. The 26 KPIs are organised around 3 main pillars on which the Heads of Union Delegations have to build their assurance: sound financial management and effective use of EC funds, efficiency of the internal control system, efficiency of the audit system. Main imbalances compared to targets have to be explained by the HOD in his/her EAMR and mitigating actions have to be presented.

306. (EDF §33 - 2012/PAR/0604) The Parliament reiterates its call to the Commission to further develop both its whistleblowing policy, notably in Union delegations, and its anti-fraud strategy in order to detect double funding activities.

Commission's response:

In December 2012, the Commission has issued whistleblowing guidelines (SEC(2012) 679). It considers it too early to evaluate the effect of the whistleblowing guidelines on the number of reported cases, as they were only issued a little over 18 months ago. The guidelines provide for a review of their impact after a period of three years, to be able to gather reliable and statistically relevant information. The statistics on reported cases are kept by OLAF.

Under the Commission Anti-Fraud Strategy, OLAF has undertaken to share with Commission departments and other institutions involved in the management of EU funds the lessons learned from the results of investigative activities and fraud risk analyses. In particular, OLAF has elaborated a casebook of investigations in the field of external aid, which presents an analysis of fraud patterns, modi operandi, vulnerabilities and red flags. This analysis is meant to help DGs enhance their fraud prevention capacities, including with respect to double funding. In addition, the Commission Services in external relations have adopted anti-fraud strategies with action plans attached. In this framework, specific actions aimed at mitigating fraud risks identified in specific priority areas have been proposed.

307. (EDF §34 - 2012/PAR/0605) The Parliament asks the Commission to take into account the latest Union developments on beneficial ownership, as discussed in the forthcoming revised directive on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing; asks the Commission to report back on this in its annual activity report.

Commission's response:

The Commission agrees that achieving progress on beneficial ownership should be high priority in the context of AML negotiations: concretely the Commission is working towards agreement on the Directive which would include measures to enhance transparency on beneficial ownership of legal and corporate entities, trusts and similar arrangements - expected by the end of 2014. The Commission will report back on progress in its annual activity report.

308. (EDF §35 - 2012/PAR/0606) The Parliament calls upon the Commission to critically assess its rules for deviations from procurement procedures and to report back on this in its annual report.

Commission's response:

The assessment of the rules for deviations, prior approvals, exceptions and non-compliant events is ongoing and will be completed before the end of 2014 when the new rules are published. DG DEVCO will report on the revision of these rules in the 2014 Annual Activity Report.

309. (EDF §40 - 2012/PAR/0607) The Parliament calls on the Commission to put a strong emphasis on the judiciary reform programmes.

Commission's response:

The requested action has been taken. Support to the justice sector and justice sector reform is one of the principle avenues for promoting democratic governance, the rule of law, citizen security, gender equality and respect for human rights, and thereby socio-economic development. For this reason, the European Union has been working over the past few decades to implement justice sector interventions, being a major donor in this area. With the recent policy documents, further emphasis is put on working on these areas in development cooperation and in the pre-enlargement context, which is also reflected e.g. in the current programming for 2014-2020 and the Budget Support operations in line with the revised guidance. Detailed information on EU support to justice and rule of law is available on the EuropeAid website (JSSR Evaluation and Reference Document no. 15).

310. (EDF §41 - 2012/PAR/0608) The Parliament requests a report on the risk strategy and response implemented within the framework of the next discharge procedure.

Commission's response:

The Commission will take the requested action within the framework of the next discharge exercise.

311. (EDF §43 - 2012/PAR/0609) The Parliament asks the Commission to report on the first results or lessons learned [of the regional hubs in partner countries initiative] to the Parliament in the next discharge.

Commission's response:

The Commission will take the requested action within the framework of the next discharge exercise.

312. (EDF §47 - 2012/PAR/0610) The Parliament calls on the Commission to further investigate the causes of these deficiencies [of evaluated projects in the Pacific region] and to enhance in-country capacity in order to improve project design and implementation.

Commission's response:

The Commission is taking the requested action.

It will complete, in 2014, two major studies providing strategic as well as operational feedback of its management of development assistance in the Pacific region. One study covers the independent monitoring of results from virtually all

programs in the Pacific under the 8th, 9th and 10th EDF, from 2000 to 2013. Furthermore, in the autumn 2014 EuropeAid will publish an evaluation of results and impact of EU regional cooperation in the Pacific over the period 2006-2012. Findings indicate that performance of projects in the Pacific region is above average when compared to other ACP regions. Availability of the findings and recommendations of these reports at the beginning of the new programming period 2014-20, along with the experience and lessons learned in sectors and individual projects, will enable the Commission to apply them in the preparation and negotiation of new 11th EDF actions with a view to continuously improving EU aid and development effectiveness. This also transpires in the 11th EDF programming documents which are being finalized and which put not only more emphasis on regional programmes but also on complementarity between national and regional programmes and actions, concentrate on fewer intervention areas (1 focal sector in the majority of SIDS), seek donor coordination as well as alignment to beneficiaries' priorities and country systems. Related to the latter are, for instance, the Budget Support Guidelines issued in 2012 which take particular notion of Small Island Developing States (SIDS) and Overseas Countries and Territories (OCTs) and consider their specific challenges in terms of vulnerability, volatility, natural resources management and (weak) institutional capacity.

313. (EDF §49 - 2012/PAR/0611) The Parliament calls on the Commission to ensure that the disbursement of funds through budget support is withheld, reduced or cancelled when clear and initial objectives and commitments are not achieved and when the Union's political and financial interests are at stake.

Commission's response:

In the framework of the new approach to Budget Support, new guidelines with strengthened assessments of the four eligibility criteria have been developed and entered fully into force on the 1st January 2013. The strengthened assessment of eligibility criteria as well as the disbursement file for each proposed payment justify the amounts to be paid and to be withheld in detail. The internal governance of Budget Support was further boosted by the establishment of the Budget Support Steering Group, chaired by DG DEVCO and composed of Management from DG DEVCO, EEAS and ECFIN. The Budget Support Steering Committee considers, inter alia, political risks and gives strategic guidance including in matters of fundamental values.

314. (EDF §51 - 2012/PAR/0612) The Parliament calls on the Commission and the EEAS, in coordination with other development partners, including Member States, and with a view to programming for the 11th EDF and the design of future Union programmes, to pay increased attention to ensuring an appropriate balance of aid between all provinces [of the Democratic Republic of the Congo]; (...) calls for combined support at a central level for programmes at provincial level that link political and territorial decentralisation with improved natural resource management strategies and infrastructure rehabilitation and development.

Commission's response:

See reply to recommendation 1 (a) of the Special Report 9/2013.

While sharing the general preoccupations expressed by the Court, the Commission and the EEAS do not accept the recommendation of the Court and will not be taking the requested action. The reason for this is that:

(i) The Commission will continue to aim at achieving an appropriate balance of aid between all provinces including the poor ones in full coordination with other donors and taking into consideration that the poorest DRC provinces are also the least populated.

(ii) The Commission will continue to involve local actors in the implementation of its projects, and within the limit of their capacity. The Commission will also support their capacity building.

(iii) The Commission will continue to support the improved management of natural resources provided that it is confirmed as a sector of the 11th EDF and in the context of work sharing arrangements with other donors.

315. (EDF §52 - 2012/PAR/0613) The Parliament calls on the Commission and the EEAS to place greater emphasis, in its dialogue with the Democratic Republic of the Congo (DRC) government, on the fact that democratic elections are a key component of governance; calls on the Commission and the EEAS to carefully assess all risks to ensure that Union programmes in this area do not support regime entrenchment.

EEAS's response:

The EEAS and Commission stress in their dialogue with the DRC authorities the importance of moving forwards with a credible electoral cycle in DRC, in line with constitutional obligations. The EEAS and the Commission take note of the preliminary conclusions of the electoral follow-up mission to DRC that took place in June 2014. Both services underline the need for a comprehensive calendar, encompassing the whole electoral cycle and with a credible budget.

316. (EDF §53 - 2012/PAR/0614) The Parliament asks the Commission and the EEAS to promote improved DRC government accountability through increased support to strengthen the capacity of national oversight institutions, in particular the specialised committees of the National Assembly and the supreme audit institution.

Commission's response:

See reply to recommendation 1 (c) of the Special Report 9/2013.

The requested action has been taken.

The Commission and the EEAS will continue to strengthen and possibly increase the capacity of national oversight institutions, in the context of work sharing arrangements with other donors. Special attention is given to the improvement of public finance management systems, especially in our main focal sectors, in the 11th European Development Fund (EDF).

317. (EDF §55 - 2012/PAR/0615) The Parliament calls on the Commission to assess the specific shortcomings encountered during the preparation and implementation of those two programmes [REJUSCO and PAG] in order to develop more sustainable programmes on the judicial reform with better-tailored objectives under the 11th EDF.

Commission's response:

The requested action has been taken.

Final project evaluations (including Result-Oriented Monitoring - ROM - evaluations) are systematically performed. Lessons learnt from these documents are taken into consideration when preparing future projects in DR Congo.

318. (EDF §56 - 2012/PAR/0616) The Parliament calls for the establishment of measures to prevent or mitigate risks and to clearly define the course of action to be followed if risks become a reality.

Commission's response:

See reply to recommendation 2 (b) of the Special Report 9/2013.

The Commission and the EEAS do not accept this part of the recommendation.

The course of action to be followed if risks of engagement become reality will be defined taking into account the overall political situation prevailing at the time and in coordination with other donors.

319. (EDF §60 - 2012/PAR/0617) The Parliament invites the Commission to take a more active leadership role towards Member States by encouraging a coordinated policy dialogue and by increasing Union leverage over the DRC government.

Commission's response:

See reply to recommendation 4 (c) of the Special Report 9/2013.

The Commission and the EEAS cannot accept the recommendation.

The Commission and the EEAS are fully engaged in encouraging coordinated EU policy dialogue. The EU leverage over the DRC is not just a matter of development aid, but rather a function of the comprehensive relation between the EU and the partner country.

320. (EDF §63 - 2012/PAR/0618) The Parliament asks the Commission to send the State Building Contract to Parliament as soon as possible, along with all the assessments upon which this contract is based; calls on the Commission to clarify in which way this contract is in line with the abovementioned Communication of the Commission.

Commission's response:

The letter sent to Mr THEURER, dated 31/03/2014 (Ref.: Ares(2014)996606), included the signed programme document, the risk assessment upon which the decision was based to provide Budget Support to Haiti and clarified the way this contract is in line with the new Communication on Budget Support of the Commission.

321. (EDF §64 - 2012/PAR/0619) The Parliament requests that the Commission explains to Parliament what performance targets have been set for the Haitian government in return for budget support and the modalities for the assessment of these targets.

Commission's response:

The referenced letter sent to Mr THEURER, dated 31/03/2014 (Ref.: Ares(2014)996606), included the signed programme document. It details the general and specific performance targets that have been set for the Haitian Government in return for Budget Support and outlines the modalities for assessment of these targets.

322. (EDF §65 - 2012/PAR/0620) The Parliament urges the Commission to ensure that, as announced, the impact evaluation is completed by April 2014, as provided for in paragraphs 62 and 63 of Parliament's resolution relating to the 2011 discharge procedure and is transmitted to Parliament.

Commission's response:

The Commission is pleased to reconfirm that the impact evaluation is currently ongoing but regrets to inform the European Parliament that given to factors outside its control, the impact evaluation could only be completed by September 2014 and not by April 2014.

The Commission confirms that the final study will be published and shared, as per usual practice.

323. (EDF §68 - 2012/PAR/0621) The Parliament requests that the Commission reports on how Haitian Government reports on and accounts for Union funds received has developed since the CONT delegation found control systems inadequate and accounting for Union spending on an unacceptable level.

Commission's response:

The Commission is pleased to report on Union funds disbursed in the benefit of Haiti within the existing reporting procedures.

The Commission however will not be taking the requested action and rejects the statement that control systems are inadequate and accounting for Union funding is at an unacceptable level. The reason for this is that Budget Support is a contract implemented through legal financing agreements which provide funds to partner countries upon the achievement of tangible and demanding results and reforms. These results are expressed in the form of four general eligibility conditions and a set of specific performance indicators. Policy dialogue and technical assistance precede and accompany the funds. The EU is thus disbursing funds to the national treasury account of the Haitian Government only after verification that these eligibility conditions have been fulfilled.

Accordingly, the Haitian government has made satisfactory progress in improving public finance management and ensuring transparency and oversight of the budget. As regards internal control, specific improvements

include among others, reinforcement of the internal audit system for expenditure control, reinforcement of the Fight Against Corruption Unit and increase in corruption cases pursued, and strengthening of the National Procurement Agency and implementation of the public procurement system. Concerning budget transparency, all external funds are included in the national budget. In addition, when EU funds are transferred to the treasury account after fulfilment of the performance criteria has been established, the Commission verifies that the relevant Treasury Account has been credited by the amount equivalent to the foreign exchange transfer at the appropriate day's exchange rate.

324. (EDF §69 - 2012/PAR/0622) The Parliament urges the Commission to substantially speed-up the process of improving the monitoring and evaluation of Union funded projects and programmes and of making the resulting information publicly accessible in a user-friendly way.

Commission's response:

The Commission will issue general instructions for improved monitoring, reporting and evaluation of Union funded projects and programmes shortly. It is also working on Information management to facilitate access to related information in a user-friendly way, but is not in a position to commit itself to a specific deadline.

As regards more particularly Union aid to Haiti, the Commission reports on its programmes through its website and annual reporting. In addition, the Commission fully supports and therefore reports through Haitian Government-led initiatives on publishing external aid. An example of such recently-launched initiative by the Ministry of Planning and Cooperation is available on: <https://haiti.ampsite.net/>.

325. (EDF §76 - 2012/PAR/0623) The Parliament encourages the Commission to resolve its disagreements [with the OECD Development Assistance Committee's secretariat about the Official Development Assistance (ODA) eligibility of European Investment Bank (EIB) loans] in an orderly manner as this is important to ensure sound statistical data and comparable benchmarks of financial contributions that are considered to contribute towards development goals.

Commission's response:

As a result of long and intense discussions between the Commission and the OECD-DAC Secretariat, the eligibility of EIB loans as ODA has been recognized for 2011 loans after DAC agreement of 8 April 2013 (DAC/CHAIR(2013)2) thereby bringing to an end years of inconsistent practices regarding the treatment of the EU in OECD/DAC statistics. The last OECD Development Cooperation Report already includes an ODA amount of € 3,5 billion of EIB loans to developing countries in 2011 (see item EU institutions in its Statistical Annex - page 260): http://www.oecd-ilibrary.org/development/development-co-operation-report-2013_dcr-2013-en.

The Commission will continue working with the OECD-DAC Secretariat in the coming months to ensure the recognition as ODA of EIB loans for 2012, 2013 and 2014. In parallel, the OECD/DAC has started to discuss the modernisation of the external finance measurement framework post-2015, including the definition of concessional in character. The Commission is actively engaging in that discussion.

326. (EDF §78 - 2012/PAR/0624) The Parliament asks the Commission to verify, when financing an NGO project, which part of the financing comes from the organisation's own private funding and which part of the financing from government funding, be it national or European; asks the Commission to publish a report each year about its findings.

Commission's response:

Under the European Development Fund (EDF), in most cases, grants to NGOs are awarded as result of Calls for Proposals managed by the beneficiary countries. Under decentralised management with ex-ante controls, the European Commission endorses the award decisions prior to the signature of the contracts. The part of the grant that will be financed by the Commission is stated in the application form and well defined at the time of the signature (both in % and absolute terms compared to the total amount foreseen as cost of the action). The

other sources of funding are also mentioned in the budget of the action. At the end of the action, there is checked that the co-financing from other donors took place, but not necessarily that the source matches fully what was announced at the Call for Proposals phase. The stress is put on the fact that the co-financing existed, rather than its composition or final source. It is not uncommon that the sources change during the grant contract implementation. The funding that the NGOs may get from other donors/sources does not have to be necessarily earmarked for our projects. Following the origin of the co-financing at contract level would have little use. The contracts awarded are published by the beneficiary countries in government websites. These contracts are managed directly by the ACP States within programme estimates.

Given all these reasons and the number of grant contracts signed every year in all the ACP States, and given the role of the EC under decentralised management, producing a report of the features above mentioned would prove not only very cumbersome but also not cost-effective. Therefore, the Commission will not be taking the requested action.

327. (EDF §80 - 2012/PAR/0625) The Parliament calls for an end to be brought to the Tripartite Agreement during the October 2015 revision and include the investment facility in the normal discharge procedure.

Commission's response:

The EIB manages the Cotonou Investment Facility, which is financed directly by EU Member States and it is thus not covered by the Court's Statement of Assurance or the European Parliament's discharge procedure. The Internal Agreement on the financing of European Union aid in accordance with the ACP-EU Partnership Agreement (11th EDF), stipulates that operations financed from the EDF resources managed by the EIB shall be subject to the control and discharge procedure laid down by the Statute of the EIB for all its operations.

Nevertheless, the European Investment Bank presents every year to the EP an Annual Report for the Investment Facility that gives details about the achievements of the Investment Facility and examples of development impact.

328. (EDF §88 - 2012/PAR/0626) The Parliament asks the Commission to consider the development impact of the Investment Facility in its annual report to Parliament and Council on the Union's development and external assistance policies and their implementation and the annual activity report.

Commission's response:

This request is partially accepted by the Commission.

The EIB manages the Investment Facility which is financed directly by Member States and it is thus not covered by the Court's Statement of Assurance or the European Parliament's discharge procedure. The DEVCO Annual Activity Report cannot report on the Investment Facility, since it is not a "DEVCO activity" in budgetary terms and the DEVCO Director General is not the Authorising Officer.

Nevertheless, the European Investment Bank presents every year to the EP an Annual Report for the Investment Facility that gives details about the achievements of the Investment Facility and examples of development impact. The Commission will take into account this report and will look at ways to include

examples of development impact of the Investment Facility, in particular for projects co-funded by the IF together with EDF funds managed by the Commission, in future Annual Reports starting with the report covering implementation from 2014.

329. (EDF §89 - 2012/PAR/0627) The Parliament calls on the Commission to provide a fully-fledged report on the impact and results of the implementation of financial facilities in the context of the platform for cooperation on blending and development policies.

Commission's response:

As regards DEVCO reporting on the potential impact and results of the facilities, DG DEVCO would like to stress that:

1/ The two oldest (2007 and 2008) and most active facilities (Neighbourhood Investment Facility and the EU-Africa Infrastructure Trust Fund) have been subject to a mid-term evaluation, the reports are publicly available. Other mid-term reviews are planned for the other facilities which started later;

2/ in the context of the Platform, an annual report will be sent to the Parliament and Council in 2014: among others, it will include the main conclusions from the workstream on “Assess and compare the performance of different blending mechanisms”, which built on the results of the mid-term evaluations of the Neighbourhood Investment Facility and the EU-Africa Infrastructure Trust Fund.

Performance, financial management and control of EU agencies

330. (*Agencies §4 - 2012/PAR/0629*) The Parliament welcomes the access to services provided by the Commission and believes that it can be further improved.

Commission's response:

The Commission already provides access to agencies to a number of its services. It will continue its assessment of the possibilities to obtain further rationalisation and synergies, including from sharing of services with the agencies and between the agencies.

331. (*Agencies §7 - 2012/PAR/0630*) The Parliament reiterates its call on the Commission to encourage the agencies to use the simplification option as regards recruitment procedures where the standard procedure is designed for a larger scale organisation and presents an excessive burden for the agencies.

Commission's response:

The Commission plans to address the issue of recruiting staff in agencies in 2014. The Commission intends to adapt the section on staff recruitment in the new version of the Guidelines and, more importantly, to finalise model General implementing provisions for the use of Temporary Staff under article 2f CEOS. The difficulties met in the past and the new reality with the creation of a new category of temporary agents only employed in agencies will be taken into account. Agencies are being regularly consulted and associated to the drafting of these new Guidelines. To this end, the Commission and the agencies have established a "permanent" working group.

332. (*Agencies §13 - 2012/PAR/0631*) The Parliament calls on the Commission to continue its efforts and to report on its progress on an annual basis, inter alia, to report on the progress as regards completion of actions, the implementation of the completed actions and their outcomes and effectiveness and to provide a more detailed breakdown as regards when and how the decentralised agencies have contributed to those actions.

Commission's response:

The Commission committed in the Joint Statement "to inform the European Parliament and the Council regularly, and for the first time by the end of 2013, about progress on the implementation of the roadmap". A first progress report was presented by the Commission at the end of 2013. A second progress report is planned for December 2014

333. (*Agencies §13b - 2012/PAR/0632*) The Parliament requests that the Commission also include an analysis on how the change of reporting requirements contributes to the simplification and the reduction of the administrative burden.

Commission's response:

Please refer to reply to 2012/PAR/0631

334. (*Agencies §17 - 2012/PAR/0633*) The Parliament believes that based on the model provided by the Anti-Corruption report, the Commission should consider the possibility of including the activity and performance of Union institutions and agencies in the next annual report on corruption.

Commission's response:

The Commission published the first EU Anti-Corruption Report in February 2014. Subsequent reports will follow every two years. The Commission considered assessing in the first report the anti-corruption efforts of the EU's own institutions. However, we realised that this is something we will have to return to in later EU Anti-Corruption Reports – to be sure that the evaluation is satisfactory and objective. The Commission is currently considering venues for such an independent review of EU institutions. Synergy with the Council of Europe's Group of States against Corruption (GRECO) is particularly important.

335. (Agencies §18 - 2012/PAR/0634) The Parliament proposes the establishment of a working group on this matter [the agencies' way of reporting to the discharge authority] to come forward with proposals for improving the reporting system, both on the agencies' and Parliament's side.

Commission's response:

A new working group is not needed since reporting obligations have been streamlined in the new Framework Financial Regulation of 30.9.2013 applicable to decentralised agencies, and in in financial rules of each agency. From 2016 onto, agencies will provide a consolidated annual activity report which includes comprehensive information on the implementation of its work programme, budget, staff policy plan, its management and internal control systems.

336. (Agencies §19 - 2012/PAR/0635) The Parliament requests to strengthen the reporting system further in this respect [trend to focus reporting more on effectiveness and results achieved] to enhance the democratic accountability of the agencies.

Commission's response:

Reporting obligations have been streamlined in the new Framework Financial Regulation of 30.9.2013 applicable to decentralised agencies, and in in financial rules of each agency. From 2016 onto, agencies will provide a consolidated annual activity report which includes comprehensive information on the implementation of its work programme, budget, staff policy plan, its management and internal control systems

337. (Agencies § 23 - 2012/PAR/0636) The Parliament calls on the Commission to ensure that consolidated reporting results in simplification and reduction of the administrative burden.

Commission's response:

Reporting obligations have been streamlined in the revised Framework Financial Regulation of 30.09.2013 applicable to decentralised agencies and in the financial rules of each agency. New provisions on reporting apply from 1 January 2015 and foresee that the agencies provide a consolidated annual activity report which includes comprehensive information on the implementation of their work programme, budget, staff policy plan and internal control systems.

338. (Agencies §30 - 2012/PAR/0637) The Parliament is looking forward to the Commission's report on those aspects [plans to carry out further work in order to develop a guide on internal planning and revenue forecasting] due in 2014.

Commission's response:

The Commission is taking the recommended action.

The report will be finalised in course of 2014.

339. (Agencies § 37 - 2012/PAR/0638) The Parliament notes that the Commission proposal [Commission's proposal for a European agency for law enforcement and training proposing to merge the European Police College (CEPOL) with Europol] assured neither the Parliament nor the Council of a merger or relocation of CEPOL to the Hague; stresses that following this decision, the efficient functioning of the agency must be ensured.

Commission's response:

The Commission's proposal aimed to bring together operational and training functions to enable those functions to reinforce one another, thus strengthening overall EU police cooperation. However, the EP and the MSs rejected this proposal and, in the wake of the UK' decision to close the Bramshill site, adopted a Regulation that established the seat of CEPOL in Budapest. This initiative was opposed by the COM, in its negative Opinion of 16 January 2014. Despite this, in order to ensure further efficient functioning of the Agency, following the UK's decision and the Member States Initiative, the Commission will do its utmost to assist CEPOL's Director in: a) ensuring a smooth relocation to Budapest by providing the Agency with the budget needed for the move in addition to the contributions by the Member States and b) motivating its staff to move with the Agency, by informing the agency that a series of allowances can be granted to CEPOL's staff under the Staff Regulations, in the context of staff mobility. At the same time, in order to give CEPOL and its staff more certainty with regard to the Agency's future, the Commission will soon propose a new legislative framework for CEPOL, as an independent Agency, located in Budapest. The proposal for a Regulation will also take into account the Agency's task of implementation and coordination of the Law Enforcement Training Scheme (LETS).

340. (Agencies §38 - 2012/PAR/0639) The Parliament welcomes the Commission's intention to obtain further synergies from the sharing of services between the agencies themselves and from within the Commission and to carefully look into the matter of unnecessary spending due to distant and multiple sites of location and is looking forward to further proposals in that regard.

Commission's response:

Please refer to 2012/PAR/0629

341. (Agencies §46 - 2012/PAR/0640) The Parliament reminds the Commission that the Financial Regulation is not suited to agencies which generate surpluses; stresses that it is essential to consider, as part of the revision, ways of resolving this problem, e.g. by creating a limited reserve fund.

Commission's response:

After careful analysis, the Commission concluded that the creation of the reserve fund is neither necessary, nor appropriate in the current context of budgetary constraints. Therefore the revised Framework Financial Regulation (FFR) does not foresee such a possibility. The European Parliament and the Council have not

raised objections to the Commission's proposals and consequently the FFR entered into force from 1st January 2014.

The Commission considers that the current practice represents a sound and prudent approach, in line with the necessity of a strict control of expenditure by the Commission and the Budget Authority.

342. (Agencies § 53 - 2012/PAR/0641) The Parliament is looking forward to receiving at the beginning of 2014 the finalised document on new guidelines on tailored performance indicators to assess the results achieved by directors of agencies.

Commission's response:

In accordance with the Roadmap on the follow-up to the Common Approach on EU decentralised agencies (action no. 89), the Commission elaborated draft guidelines on tailored performance indicators to assess the results achieved by agencies' Executive Directors and sent the document to the agencies in July 2013, asking for their contribution. Consultation is in progress. The Commission is planning to issue the guidelines by the end of 2014.

343. (Agencies §75 - 2012/PAR/0642) The Parliament expects the Commission to perform a continued assessment of the effects of the implemented guidelines and adjust the guidelines accordingly as deemed appropriate by the results of that assessment.

Commission's response:

The Commission considers it is too early to evaluate the effect of these guidelines, as they were only issued half a year ago (i.e. December 2013). As already stressed by the Commission itself in the guidelines, an adequate balance between risks/benefits as regards the management of conflicts of interest, on one hand, and the objective to obtain the best possible scientific advice, on the other should be maintained. However, the Commission also emphasises the fact that as the agencies are legally independent entities, they alone are responsible for the way they handle the issue of conflicts of interest in practice and notably, how they enforce and control that the key principles in this domain are respected. As such, ultimately, agencies are responsible for developing their own framework on conflicts of interest (including on declarations of interest, identification of risk levels, preventive and corrective actions), for its implementing, monitoring and reporting.

344. (Agencies §80 - 2012/PAR/0643) The Parliament expects the Commission guidelines to address the situation [procedures for recruiting staff to the agencies have posed a regular problem] in the future.

Commission's response:

The Commission plans to address the issue of recruiting staff in agencies in 2014. The Commission intends to adapt the section on staff recruitment in the new version of the Guidelines and, more importantly, to finalise model General Implementing Provisions for the use of Temporary Staff under article 2f CEOS.

The difficulties met in the past and the new reality with the creation of a new category of temporary agents only employed in agencies will be taken into account. Agencies are being regularly consulted and associated to the drafting of these new

Guidelines. To this end, the Commission and the agencies have established a permanent working group.

345. (Agencies §81 - 2012/PAR/0644) The Parliament calls on the Commission to consult with the agencies when developing its guidelines [including implementing rules on the employment of temporary agents and contract agents] for them.

Commission's response:

The Commission plans to revise the Guidelines on the staff policy in decentralised agencies and, more importantly, to finalise model General Implementing Provisions for the use of Temporary Staff under article 2f CEOS in 2014. Agencies are being regularly consulted and associated to the drafting of these new Guidelines. To this end, the Commission and the agencies have established a permanent working group.

346. (Agencies §82 - 2012/PAR/0645) The Parliament calls on the agencies and on the Commission to reach an agreement on the use of resources for handling disciplinary proceedings.

Commission's response:

The Commission's Directorate-General for Human Resources and Security (DG HR) has concluded Service Level Agreements with all executive agencies. These agreements include arrangements for the Investigation and Disciplinary Office of the Commission (IDOC, part of DG HR) to handle administrative inquiries and disciplinary procedures for these agencies.

For decentralised agencies, IDOC acts as a help-desk in individual cases, providing procedural advice and models and templates for documenting the various procedures.

In order to provide further assistance, IDOC is working with the coordinating agency to set up an inter-agency pool of case handlers which would handle administrative inquiries and disciplinary procedures for these agencies. These case handlers would be trained by IDOC. The agencies have agreed to this proposal and the steps are being taken to establish the common pool.

347. (Agencies §83 - 2012/PAR/0646) The Parliament questions the reasons why the specific Memorandum of Understanding between the ESAs and the Commission aimed at ensuring the efficient establishment, implementation and monitoring of the budget of the ESAs has not yet been established.

Commission's response:

In 2012 the draft Memorandum of Understanding was prepared by the Commission (DG MARKT). After consulting DG BUDG it was proposed to ESAs who refused to sign the document considering the existing regulatory framework and working arrangements sufficient for a good cooperation between ESAs and DG MARKT.

348. (Agencies §84 - 2012/PAR/0647) The Parliament takes note of the Commission's intention to augment transparency throughout the procedure, and to further clarify the extent to which it has modified the agencies' requests in the draft budget, and the corresponding reasons as from the 2014 draft budget.

Commission's response:

The Commission has taken the recommended action.

The Commission shares the importance that the Parliament attaches to having a full picture of the resources and tasks of the agencies, as a basis for a proper needs assessment.

Consequently, it has revised the working document on agencies prepared in the context of the annual budget procedure. The review of the agency working document accompanying the 2015 DB covers, inter alia, the clarification requested by the Parliament with regard to the extent to which the Commission has modified agency requests in the draft budget, and the corresponding reasons.

Also the entry into force of the revised Framework Financial Regulation for agencies on 1 January 2014 will help to clarify transparency for issues like ad hoc grants and delegation agreements.

349. (Agencies §86 - 2012/PAR/0648) The Parliament calls on the Commission to uphold the principles of gender equality and to take account of the strategy launched by the Commission in 2010 to achieve a better gender balance in positions of responsibility.

Commission's response:

Even if the Commission does not have the power to impose behaviour to an authority, empowered to conclude contracts of employment, of a legally independent body, it encourages Agencies to promote gender equality in decision-making positions in conformity with the Commission's Strategy for Equality between Women and Men (2010-2015).

350. (Agencies §90 - 2012/PAR/0649) The Parliament invites the Commission to cooperate more closely with the agencies on this issue [the difficulties encountered by the agencies with complex IT systems such as ABAC and SYSPER2].

Commission's response:

Concerning IT systems :

- DG HR is currently committed to roll out SYSPER2 in other Institutions (EP, Council, CDR and CES) and this will prevent us of delivering it to the agencies before 2017. And in any case, as already mentioned in previous discharge requests (2011/PAR/0565), any decision to extend Sysper2 to agencies would have to meet the following three conditions: same rules, good data quality, pay for the cost incurred (budget appropriation and posts).

- within the perimeter of ABAC, DG BUDG currently offer the agencies the same type of services as we do for all Commission internal DGs; nevertheless, besides the provisioning of ABAC as financial information system, the Commission is developing for –and in close collaboration with- the Agencies- a set of centrally offered accounting and treasury services.

Bodies set up under the TFEU and the Euratom Treaty

351. (*Translation Centre for the Bodies of the EU §2 - 2012/PAR/0650*) The Parliament calls on the Centre, together with the Commission, to propose a remedy to this situation [the Centre held cash and short term deposits amounting to EUR 35 million at the end of 2012].

Commission's response:

The Centre is fully aware of recurrent surpluses and has already taken remedial steps. In December 2012 the Centre had already planned, in the preliminary draft budget for 2014, to consume part of the budget surplus by using a price stability reserve of EUR 1 092 890. Based on the 2012 cost analysis and the analysis of the first half of 2013 the Centre decreased the 2014 prices for its clients by 5.2% for documents, 3.1% for trademarks, 20% for term lists and 25% for editing compared to the previous year. These price modifications reflect not only changes in the cost of products, but also aim to consume part of the surplus of the previous years. The final 2014 budget shows a deficit of EUR 4 106 650 that is balanced by the reserve for price stability created in previous years. Moreover, as an exceptional measure, the Centre will also propose to the Management Board that the 2014 prices be further reduced from 1 July 2014. Based on 2014 mid-year cost analysis and simulations and forecasted volumes for 2015, further price modifications will be proposed for 2015. The 2015 budget will, again, be prepared as a deficit budget in order to consume part of the previous years' surplus. The Centre would like to stress that the 2012 surplus was generated mainly by external factors beyond the Centre's control; especially as a result of a higher volume of invoiced pages than forecast and the cancelled salary increase that had been included in the calculation of the Centre's prices for 2012.

352. (*Euratom Supply Agency §2 - 2012/PAR/0651*) The Parliament notes with concern that for 2012, although the Commission granted the Agency its own budget amounting to EUR 98 000 (EUR 104 000 including financial revenue from its own investments) following the Court's comments, and although Article 54 of the Treaty establishing the European Atomic Energy Community and Article 6 of the Statutes of the Agency provide that it shall have financial autonomy, nevertheless, most of the Agency's expenditure was still financed directly by the Commission; calls on the Commission to provide an explanation for this situation.

Commission's response:

The present situation, whereby the Euratom Supply Agency is partially autonomous (i.e. for the operational costs) and the Commission uses its own budget to pay directly the major part of the expenses (i.e. the general administrative expenses - staff, offices, and other minor expenses i.e. telephone, computers) can be explained by cost-benefit reasons, while it does not jeopardize the Agency's independence. Indeed, the fact that the Commission bears the major part of the Agency's expenses enables economies of scale. Should the full financial autonomy be granted, this would no longer be the case. This in turn would negatively affect the Commission's budget because the subsidy it would have to pay to the Agency would be higher than the costs paid directly through its own budget.

For the sake of transparency, the European Parliament will be informed about the costs borne by the Commission.

353. ***(Artemis Joint Undertaking §23 - 2012/PAR/0652)*** The Parliament invites the Commission to clarify what is the added value of such a proposal [Commission proposal excluding the examination of the accounts and the revenue and expenditure of the ECSEL Joint Undertaking by the Court of Auditors and indicates that the accounts of that Joint Undertaking will be examined annually by an independent audit body].

Commission's response:

The request from the Parliament refers to the Commission's proposal for the future ECSEL Joint Undertaking in which the discharge for the implementation of the JU budget was to be given as part of the discharge for the Commission's overall accounts. In that context, the aim was to simplify the administrative burden for the newly proposed PPP bodies by providing them with a dedicated financial regulation including an indirect discharge.

In the meantime, the interinstitutional debate on the proposed ECSEL JU took place. One of the main changes that were introduced in the Regulation adopted by Council on 6 May 2014, compared to the Commission's proposal of 10 July 2013, was to keep a separate discharge as for the existing Joint Undertakings such as the ARTEMIS JU. Therefore, the examination of the accounts of the ECSEL JU was changed back to be a task for the Court of Auditors in the context of a separate discharge.