2014 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER CREŢU

Hearing on 7 December 2015

<u>EU2020/spending based on results/added-value</u>

1. To which extent did DG REGIO contribute to the achievements of the main objectives of the Europe 2020 strategy?

<u>Commission's answer:</u>

The Europe 2020 strategy is about delivering growth that is:
- **smart**, through more effective investments in education, research and innovation,
- **sustainable**, thanks to a decisive move towards a low-carbon economy, and,
- **inclusive**, with a strong emphasis on job creation and poverty reduction.

The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy.

Cohesion policy, thanks to the interventions co-financed by its European Regional Development Fund (ERDF) and Cohesion Fund (CF), is providing a twofold contribution to these objectives:

1) **Through the implementation of the 2007-2013 programmes**, cohesion policy invests heavily in areas directly supporting the Europe 2020 priorities: R&D innovation, ICT networks, SME support, renewable energy, energy efficiency, environment protection and key infrastructure. This produces a short term impact on GDP, as a result of the induced economic activity, as well as a long term impact (materialising only in the long run) thanks to the structural improvements in the economies of the EU.

   The achievements resulting from the implementation of 2007-2013 ERDF/CF programmes are notably illustrated by some core indicators annually reported by the Member States. Our preliminary assessment of latest available data shows that approximately 950 000 jobs were created, 36 000 enterprises cooperated with research institutions, more than 270 000 enterprises received support and the additional capacity of renewable energy production was more than 4 000 megawatt.

2) **Through the negotiation and adoption of the 2014-2020 European and Structural Investment (ESI) Fund programmes**, which concentrate resources on a limited number of policy areas contributing

to the objectives of the Europe 2020 strategy. This focus is ensured through a "menu" of eleven thematic objectives directly translating the aims of the Europe 2020 Strategy. This ensures a concentration of funding on key growth themes, thus maximising the impact of EU investment.

In addition, the inclusion of ex-ante conditionalities for the 2014-2020 programming period and the increased result orientation ensure that the new programmes meet the conditions for maximum effectiveness and impact towards these long-term European strategic targets.

2. What was the DG REGIO's contribution to the article 318 TFUE evaluation report of the financial performance of the Union?

Commission's answer:

DG REGIO's contribution to the 2014 Article 318 Report has been integrated into section 2.1 b) (pages 20-27) "Economic, social and territorial cohesion (Budget Heading 1B)". The main elements dealt with in the REGIO contribution concern:

- A summary of the progress made in the preparation and adoption of the 2014-2020 programmes supported under the ERDF and Cohesion Fund

- An account of implementation and core indicators (output) achievements 2007-2013 under the headings smart growth, sustainable growth and inclusive growth

- A summary of the actions being carried out by the Commission on operational aspects of performance (i.e. addressing deficiencies in in administrative capacity of Member States through technical meetings, targeted guidance, etc.).

http://ec.europa.eu/smart-regulation/evaluation/docs/2014_report_en.pdf

3. Can the Commissioner report on the proceedings of the Inter-service Group on Innovation Union?

Commission's answer:

The Inter Service Group on Innovation Union was mobilised to contribute to the State of the Innovation Union 2015 Report which is expected to be published by the end of 2015. The Report will provide an update on the state of implementation of the 34 commitments made under the Europe 2020 Innovation Union Flagship Initiative.

4. Can the Commissioner detail the contribution of his service to the country-specific recommendations during the European semester?

Commission's answer:

Since 2010, cohesion policy has been receiving increased attention in the context of the European Semester / Europe 2020 strategy as the largest EU component of the growth pillar:

1. It provides a stable basis for investment over 7 years and a very high share of public investment in the countries that benefit most;
2. It is focussed on investment in structural change and can incentivise structural reforms in various domains such as innovation, research, small and medium sized enterprises (SME) development, sustainable energy, labour market, human capital or basis infrastructure;
3. It can adapt to crisis conditions through thematic reprogramming and adjustment in national co-financing requirements to take account of fiscal consolidation in the Member States most affected.

Whereas the European Semester process puts pressure on Member States to orient their economic policies towards EU priorities, cohesion policy gives incentives for this purpose. It provides the financial and administrative means to implement relevant structural investment policies and ensures, through its place-based approach, that all regions can participate in the implementation of the Union strategy for smart, sustainable and inclusive jobs and growth.

The European and Structural Investment (ESI) Funds legislation for the 2014-2020 programming period, negotiated under the lead of DG REGIO, closely linked ESI funding to European semester processes and country specific recommendations. The five ESI Funds are fully aligned with the Union's growth and jobs strategy and the legislation recognises the strong interdependence between the different components of economic policy. Sound macroeconomic climate and sustainable public finances provide the necessary platform for investment in growth. Structural reforms and long-term strategies provide the framework in which public investments can be most effective.

The ESI Funds legislative framework for 2014-2020 formalise these linkages. In particular:

- Partnership Agreements and programmes have to take into account relevant country specific recommendations;

- Ex-ante conditionalities will ensure framework conditions for successful investment;

- Capacity Building is flagged as an area to be reinforced through funding.

At Commission level, the European Semester process is coordinated by the Secretariat General, which coordinates the Commission "Country Teams" and the drafting of annual country specific recommendations. Through its country desks DG REGIO provides its regional intelligence to all 28 Commission

'Country Teams'. DG REGIO's contributions include analysis of challenges in Member States and suggestions for recommendations which might need to be made or strengthened. This analysis is shared with other relevant DGs to ensure a consistent assessment is given on whether Member States have sufficiently taken into account and implemented the recommendations, and to ensure coherence when proposing new recommendations.

Out of a total of 157 country specific recommendations for 2014, more than two thirds have been considered as relevant for cohesion policy. Relevant country specific recommendations and the national reform programmes have been established as reference points in the programming exercise. They target public administration reform, research, innovation, entrepreneurship, network infrastructures and resource efficiency. The cohesion policy provides thus substantial resources to undertake structural reforms linked to country specific recommendations.

During 2014 and 2015 DG REGIO ensured that all Member States' Partnership Agreements and operational programmes took account of relevant country specific recommendations that could be implemented or supported through ESI Funds. This alignment work was carried out in coordination with all services concerned by the ESI Funds common provisions regulation (DGs EMPL, AGRI and MARE).

5. The Court is of the opinion that Member States do not give adequate attention to the EU 2020 strategy in the partnership agreements. What does the Commission do about it?

Commission's answer:

The Court formulates in its report some criticisms on the way the Europe 2020 objectives are translated in 2014-2020 partnership agreements and operational programmes. We understand that the Court would like Member States to identify specific target results at national level linked to the Europe 2020 strategy and cascade them down to the programme level. The Commission considers that a linear or mechanistic approach is difficult to implement and does not take account of the broad nature of the EU 2020 objectives and headline indicators.

Indeed it seems that there is a clear difference in understanding between the Court and the Commission on the purpose of the Europe 2020 strategy and objectives. The strategy was conceived as a broad development strategy for the Union, not only for the EU budget. The Europe 2020 headline targets were put forward as ambitious but achievable EU policy goals. They have advantages and limitations. In terms of advantages, they illustrate the dynamic of change promoted, they have a role as policy anchors and they are easy to monitor and communicate. However, in terms of limitations they are not exhaustive and a qualitative assessment remains necessary. In particular, while Partnership Agreements outline each country’s development needs and set out a summary of the main results expected for each selected thematic objective (translating the aims of the Europe 2020 strategy) as requested by the regulation, the setting of concrete objectives and targets can only be meaningfully done at the level of programmes.

The programmes that are put in place include indicators, baselines and targets for each investment priority. The identification of operational objectives is not done at the level of partnership agreements - as the Court expected - because the programming must take into account the specificities and needs of each Member State or region and translate them at the level of operational programmes. The programmes take socio-economic and territorial differences as well as national and regional needs and potentials into account, following a large partnership and multi-level governance.

In addition, we consider that the Court's criticisms are premature as the partnership agreements have only just been put in place. A report on the outcome of the negotiations, as required by Article 16 of the Common Provisions Regulation, will be published soon (mid-December) and was not available at the time of the Court's assessment. The Commission will also, during the period 2014-2020, report annually to the EU institutions providing a summary of the implementation of the ESI funded programmes and a synthesis of the impact evaluations conducted by the Member States.

6. In addition to the operational priorities implemented throughout 2014, DG Regional and Urban Policy defined and carried out a pilot exercise in 2014 aimed at systematising the assessment of programme performance by the geographical units, as a part of the DG’s Strategy to Manage Change towards a more Performance-Based Culture. Can the Commissioner inform CONT about the first findings?

Commission's answer:

Indeed DG Regional and Urban Policy has performed in 2014 a pilot assessment of the performance of each operational programme, the outcome of which is reported in page 31 of its 2014 Annual Activity Report. The overall aim of this initiative is to prepare implementing units to provide a structured judgment of the performance of programmes for which they are responsible.

The assessment carried out captures the performance of programmes in 6 main areas, where relevant:

- project selection,

- financial execution,

- major projects,

- financial engineering instruments,

- core and programme indicators (outputs),

- management and control issues.

This analysis was conducted on the 322 programmes of the European and Regional Development Fund and the Cohesion Fund of the 2007-2013 programming period.

The results of the first pilot exercise show that, overall, the performance of the programmes is considered to be:

- good for 45% of programmes;

- acceptable for 43 % of programmes;

- poor for 9% of programmes, the main reasons being a low rate of implementation of the programmes, weaknesses in management and control systems, delays in several projects and issues in the implementation of financial instruments;

- critical for 3% of programmes, the mains reasons being a low rate of implementation of the programmes, delays in the implementation of major projects, weaknesses in management and control systems and issues in the implementation of financial instruments.

Corrective actions to address the main weak areas have been identified by DG Regional and Urban Policy and are currently being implemented and monitored.

7.

a) How can you demonstrate that projects financed under Cohesion Policy for 2007-2013 programs in 2014 actually have an impact and added value for citizens?

Commission's answer:

For the 2007-2013 period, policy performance is monitored through the yearly reporting on indicators of programme outputs. A selection of illustrative core indicators is reported in the Annual Activity Report, as explained in the reply to Question 1. However, ERDF & Cohesion Fund programme deliver achievements that are wider and more diverse than what is captured by the agreed core indicators. For this reason, many programmes use specific indicators. Core indicators cover the most frequently arising actions but cannot cover all aspects of ERDF and Cohesion Fund investments.

The use of core indicators was not compulsory in 2007-2013. Core indicators were introduced on a voluntary basis in 2008-2009 with the cooperation of Member States. The robustness of the data we report has some limitations. Based on the voluntary 2007-2013 experience, the data robustness and coverage will change with the 2014-2020 period and the new requirements ensuring ex-ante definitions, obligatory use when relevant, more comprehensive common indicators and coherence of the data.

An overview of the 2007-2013 achievements is made available on the Cohesion Policy Open Data homepage (.https://cohesiondata.ec.europa.eu/). For the 2007-2013 period this provides data on achievements per Member State for 10 ERDF and Cohesion Fund indicators. The platform will be expanded to cover the 2014-2020 period in December 2015 and in 2016. It will be extended firstly to present programme level details and later implementation data when available.

The ex-post evaluation of the 2007-2013 programming period is on-going. The final results are expected in April 2016. They will provide further information about policy achievements and will be used for the simplification exercise, the Multi-annual Financial Framework mid-term review and the preparation of post-2020 programming period.

b) Would you have concrete examples of good projects in 2014?

Commission's answer:

The RegioStars Awards allow to identify and highlight original and innovative projects which could inspire other regions. Here are some concrete examples of success stories, some of them having been selected for RegioStars Awards:

- ✓ the project NovaMedTech, a catalyst for the launch of new products and services in the field of medical technology in Sweden, led to the creation of around 70 jobs;
- ✓ the construction of an incubation centre on the campus of Zagreb University will support biotechnology and life science business start-ups in Croatia;
- ✓ the Development of Torun Technology Park in Poland led to the creation of 6 companies and 130 workplaces;
- ✓ the sustainable construction programme in Andalusia made the construction sector in this region more sustainable and has achieved 26.000 tonnes of oil equivalent/year of energy saved and/or diversified and 62.000 tons of CO_2 avoided, created 14.000 direct jobs, resulted in economic saving of more than EUR 210 million;
- ✓ the CoOPTICS initiative in Thüringen (Germany) was established to strengthen the industry and research field in optics and opto-electronics; it helped to ensure jobs for over 19 300 people;.
- ✓ the Extreme Light Infrastructure (ELI) project, a research infrastructure of pan-European interest to research the potential of state-of-the-art laser technology, will involve 40 research and academic institutions from 13 Member States and will be implemented through three specialised facilities located in the Czech Republic, Hungary and Romania. The investment volume exceeds EUR 850 million (both national and EU);
- ✓ the restoration of Dragomirna Monastery in Romania combined the use of sophisticated techniques and traditional materials to restore paintings, frescoes and the buildings. The project supports local development through further promotion of tourism in the area and the promotion Dragomirna's art internationally; it received the EU's

Europa Nostra Prize for cultural heritage in the conservation category, and the public's choice award in 2014..

- ✓ The ESF Project Lives was a wide-ranging initiative based in Spain which provided support to almost 700 unemployed people by improving their job prospects or by helping them launch a business venture. The project paid special attention to assisting unemployed young people at risk of exclusion. This focus paid off as 50 % of younger participants went on to secure work, while 34 % engaged in training programmes.

c) How do you communicate on such achievements?

Commission's answer:

DGs Regional and Urban Policy and Employment, Social Affairs and Inclusion puts a strong emphasis on the communication of results of projects achievements.

Fore Regional and Urban Policy an overview of the 2007-2013 achievements is made available on the Cohesion Policy Open Data homepage (.https://cohesiondata.ec.europa.eu/).

Emphasis on communicating achievements on individual projects is made especially during the 'Open days' and the 'RegioStars Award': (http://ec.europa.eu/regional_policy/en/regio-stars-awards/).

The 'Open Days' forum is an opportunity for stakeholders to exchange good practices and know-how in the field of regional and urban development.

The RegioStars Awards allows to identify and highlight original and innovative projects which could inspire other regions. Here are some concrete examples of success stories, some of them having been selected for RegioStars Awards (see reply to question 7b).

DG Employment, Social Affairs and Inclusion communicates on good achievements via the ESF website which features a list of selected good projects: http://ec.europa.eu/esf/main.jsp?catId=46&langId=en&list=1

8.

a) How do you ensure that EU money is spent with increased focus on results in 2014-2020?

Commission's answer:

A reinforced result orientation is at the core of the Cohesion Policy 2014-2020 framework and applies to all programmes and specific objectives. Here are the main features of the 2014-2020 framework:

The result orientation leads to clear intervention logic for programmes and each priority axis, starting from a clear assessment of needs and the identification of the change objective that is targeted: 'what are we trying to change'. The change expected under each specific objective is then measured by choosing a result indicator (with a baseline and target). Result indicators are specific to each country or region and capture the relevant development objective. Programmes will systematically measure and report progress of result indicators.

To achieve the objective chosen the programme identifies operations to be financed. Selection criteria take account of the contribution to the result to be achieved.

Output indicators are associated with the supported operations. They measure their direct achievements. Output indicators are both common but also programme specific. Common indicators are compulsory for all programmes when relevant to the investments and were carefully designed during 3 years in constant dialogue with the Member States.

Monitoring and reporting complete the essential steps of the result orientation There will be an annual programme report from Member States on the implementation and achievements. The first report with substantial information is expected in May 2017.

The performance framework was designed to create an incentive for well-performing programmes. It will reward those which progress well towards the objectives but may also trigger corrective measures for programmes which are significantly underperforming. The performance review in 2019 will take account of financial progress and output achievements (or key implementation steps). Its purpose is to reward performing priority axes with a share of the 6% performance reserve. It will also identify areas where implementation is not progressing as swiftly as intended and where there might be a risk to overall performance. Concerned programmes will be requested to adopt measures to boost performance. Serious failure in achieving related milestones and targets may lead to the suspension of payments and even financial corrections at the end of the period.

On top of this, pre-conditions under the form of ex-ante conditionalities have been introduced. The objective is to establish the framework conditions in each Member State at the beginning of the programming period to ensure that investments can be effective in domains such as sustainable transport, energy efficiency, climate change, access to employment, vocational education and training or public procurement. When Member States did not comply with ex-ante conditionalities at the time of the programmes' adoption, actions plans were agreed with the Commission. The objective of these action plans is for the Member States to fulfil the ex-ante conditionalities at the latest by 31 December 2016. Ex ante conditionalities were fulfilled when adopting REGIO-led programmes in 197 cases. (For 42 programmes, all ex ante conditionalities were fulfilled). For 163 programmes, action plans are in place so that ex ante conditionalities are fulfilled by end 2016, as required in the regulation. The Commission will have the possibility to suspend payments if the action plans are not implemented by the end of 2016.

Last, but not least, it is important to underline that cohesion policy invests in a complex economic and financial environment. Therefore, medium- and long-term results of Cohesion policy will always be influenced by different, external socio-economic factors which are not under our control or the control of our programmes.

b) Which are the improvements?

Commission's answer:

The provisions of the new regulations for the Period 2014-2020 are much clearer in relation to the result orientation of the programme, in relation to the monitoring of programme outputs and result indicators that will have to be declined down to the level of individual projects selected and on evaluation of the effects of the programmes. These provisions will also influence the choice of the projects to be financed, which remains with the national and regional managing authorities.

In addition, the new regulations have introduced:

- the performance framework (see reply under a)),

- increased reliability of performance data through compulsory common indicators relating to most frequently implemented actions and providing aggregate and reliable information for analysis and communication purposes,

- strengthened incentive to develop a corrective capacity at Member States level: unreliability of performance information will be considered as a weakness in management and control systems and may be subject to financial corrections imposed by the European Commission

- ex-ante conditionalities (see reply under a)).

c) Are the new tools efficient and what are the results so far?

Commission's answer:

As mentioned in our reply to Question 5, the Commission will produce a report on the outcome of the negotiations in the coming days (so called 'Article 16 report') with a presentation of the expected achievements over the period. The first elements of this analysis are quite positive: the intervention logic of programmes has improved, and compared to the previous period the use of output and result indicators is better developed in the adopted programmes.

Monitoring and annual reporting complete the essential steps of the result orientation. As indicated in a) above, there will be an annual programme report from Member States on the implementation and achievements. The first report with substantial information on 2016 achievements is expected in May

2017.

Error rate

9. The most likely error rate in the area "economic, social and territorial cohesion" (regional and urban policy) stood at 6.1% in 2014. However, the error rate could have been 3,3% lower had Member States used all the information available to them. Why do first-level-checks not improve? What is the Commission's reaction?

Commission's answer:

In shared management the responsibilities are shared between the Commission and the Member States. The management of individual projects is primarily the job of Member States. The Commission undertakes continuous actions to help and stimulate Member States and programme authorities to step up their efforts for improving management and controls.

There are clear legal requirements for programme authorities to carry out management verifications and prevent, detect and correct irregularities. I agree that there is no need for more but for better controls.

The fact that, for around 40% of the transactions examined by the Court, errors found could and should have been detected by the Member States before certifying the expenditure is a cause of serious concern for the Commission. The Commission takes fully account of this in exercising its supervisory role and continuously takes action to identify and remedy problems, including by interrupting payments as soon as serious deficiencies are found.

Control systems can only work if Member States do their work properly. The Commission services have carried out between 2010 and end 2014 a total of 108 targeted audits on management verifications of 76 high risk programmes in 18 Member States (until the present moment DG REGIO has performed cumulatively 138 such audits). These audits include visits at the level of the beneficiaries, on the spot (62 operations audited on the spot in 2014 under such audits).

The Commission worked together with the national authorities to improve the systems and in particular management verifications, when deficiencies were found. At the end of 2014 DG REGIO can conclude that in 76% of the programmes audited since 2010 there were no remaining significant deficiencies in the first level controls.

Based on all available audit results, for 90% of ERDF/Cohesion Fund programmes at end November 2015 management verifications are assessed as functioning well or subject to small improvements. For the remaining 10% of operational programmes (32) for DG REGIO, management verifications are assessed as not functioning correctly and payments are either interrupted or suspended, while remedial actions are required from the concerned Member States (Cf. a DG REGIO report forwarded to the CONT Chair and Rapporteur by letter Ares(2015)5381345 of 26/11/2015).

Corrective measures

When the Commission identifies deficiencies in the management verifications it issues a reservation for the concerned programme and stops the payments. Interruptions and suspensions are incentives for Member States to have good systems in place and to timely take remedial actions, including financial corrections. DG REGIO is using these legal tools consistently and as soon as serious deficiencies in management verifications are identified. In 2014 DG REGIO interrupted the payments or issued a warning to 121 (37%) programmes.

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

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

Preventive measures

On the preventive side, the Commission is providing the programme authorities with the necessary guidance and targeted training for each of the implementation phases of the programmes, and on the verification of main sources of errors such as public procurement or State aid. The Commission's checklists are shared with managing and audit authorities, as done recently for updated audit checklists for public procurement and State aid issues.

The Commission also provides training for officials from programme authorities and promotes sharing of good practices between programmes, for example through a new Peer 2 Peer instrument available to managing and audit authorities.

http://ec.europa.eu/regional_policy/index.cfm/en/policy/how/improving-investment/taiex-regio-peer-2-peer

Reinforced incentives are foreseen in the regulatory framework for the 2014-2020 programming period to improve further management verifications. Management verifications (including on-the-spot checks) will have to be carried out by managing authorities and their intermediate bodies before the annual certification to the Commission of programme accounts and submission of management declarations by the managing authorities. Audit authorities will express an opinion on the residual level of errors after corrections stemming from all management verifications and controls. The Commission may impose net financial corrections to the programme if serious deficiencies in management verification remain undetected or uncorrected before submission of the accounts. The Commission considers that these reinforced control procedures will result in lasting improvements in the quality and efficiency of management verifications.

10. The Court estimates that 6,1% of the EUR 43 billion transferred to Member States in 2014 via ERDF and Cohesion Fund projects should not have been paid out. Have EUR 2,7 billion been lost or fraudulently spent?

Commission's answer:

As clarified by the Court itself in its brochure "2014 EU audit in brief – Introducing the 2014 annual reports of the European Court of Auditors" (page 11), the "*estimate of the level of error is not a measure of fraud, inefficiency or waste. It is an estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations*."

The error rate mentioned in the Court's report cannot be automatically quantified in billions of Euro. It is an indication about the risk of errors during the implementation of multiannual programmes with controls incorporated at different stages and time of the programming period. It is an estimation of risk based on an extrapolation of errors detected during audits made of sample of 161 projects (ERDF, CF, FEIs) in 16 Member States and their related expenditure at a particular point of the multiannual implementation period:this figure gives a "snapshot" of the situation for a specific year in a context of multiannual programmes. Checks and controls foreseen in the management and control system can continue to be carried out even after the Court's audit.

It should also be noted that the Commission always initiates corrections when errors are identified. Those corrections can concern the projects in which the errors were identified. They can, however, also concern improvements in the way the funds are managed. Where errors are discovered, the Commission claim back undue payments from projects and Member States at fault in order to protect the EU budget. Therefore the amounts are not lost for the EU taxpayer.

It should be clarified that errors detected in financial procedures do not necessarily undermine the end result of a project: a bridge or road may have still been built in line with the plans and standards and be suitable for the purpose intended.

Moreover, it is important to say that the Commission strives to reduce the error rate reported to ensure compliance of EU expenditure with all regulatory provisions and EU policies.

The Honourable Member is also referred to the Commission's reply to question No 9 with an overview of the preventive and corrective measures taken by the Commission and to questions 46 and 47 on fraud.

11. Im Bericht des Rechnungshofes über das Haushaltsjahr 2014 wird die geschätzte Fehlerquote nach Fehlerart für die Teilrubrik „Wirtschaftlicher, sozialer und territorialer Zusammenhalt“ angeführt. Dieser Ausgabenpunkt inkludiert die Kohäsionspolitik, die rund ein Drittel des gesamten EU-Budgets ausmacht. Es geht hervor, dass 47,8 % der Fehlerarten im Bereich der

Auftragsvergabe zu finden sind. Welche Maßnahmen sind konkret von der Kommission geplant, damit diese Zahl sich signifikant verringert?

In the report of the Court for the year 2014, part Economic, social and territorial cohesion, there is the estimated error rate presented according to the type of errors. This chapter includes the Cohesion policy managing 1/3 of the EU budget. The report informs that 47,8% of the types of errors comes from public procurement. Which concrete measures are planned by the Commission in order to reduce this number significantly?

Commission's answer:

Shortcomings in the implementation of public procurement rules are amongst the most common errors found by the Court since 2006 and by Commission audits. The Commission is concerned by this. The Commission services take this into account for their own risk assessment and audit work.

However, the issue of implementation of public procurement rules is not specific to Cohesion policy as such. But it concerns any public spending in Member States and is a cornerstone of the internal market.

The Commission has started to address the problem in the field of Cohesion Policy since 2006 with significant results. These efforts focusing on both corrective and preventive measures will be even reinforced in the future by a) continuing to pay attention to detecting and correcting all errors; and b) continuously providing guidance and support to national authorities. DG REGIO will put an increased focus on preventive measures by e.g. organising seminars, workshops, presentations and training sessions. It is also taking action on a bilateral, targeted basis, in order to assist Member States on specific issues. This is e.g. the case for actively monitoring the action plans of those 12 Member States which had not fulfilled the ex ante conditionality on public procurement at the time of adopting programmes (see below). Next to this has DG Internal Market, Industry, Entrepreneurship and SMEs developed a number of country strategies for a number of Member States focussing on reform processes.

As concrete additional measures taken since last year to address this issue, DG Regional and Urban Policy has launched in January 2014 a public procurement action plan together with DG Employment, Social Affairs and Inclusion, DG Agriculture, DG Maritime Affairs and Fisheries, DG Internal Market, Industry, Entrepreneurship and SMEs, and the European Investment Bank. The updated action plan contains now 14 actions, of which two have been completed, eight are on-going and four are in the stage of preparation. Some of the actions are:

- a Public Procurement Guidance for Practitioners on the avoidance of errors in ESI- funded projects published in October 2015 in all EU languages;
- national action plans for all countries non-compliant with the Public procurement ex-ante conditionality;
- Integrity Pacts for an ethical behaviour in public procurement

procedures, in cooperation with Transparency International. The Commission is planning at least 15 Integrity Pacts projects in the course of 2016 until 2019 in the following Member States: Bulgaria, Czech Republic, Greece, Hungary Italy, Latvia, Lithuania, Portugal, Romania, Slovenia, Poland;

– a peer-to-peer exchange of expertise between national authorities: since its launch in March 2015, the REGIO TAIEX PEER 2 PEER instrument has received five requests for exchange of experience concerning specifically public procurement;

– a stocktaking study on administrative capacity in public procurement linked to the management of the funds with 28 country profiles and in depth case studies for Portugal and Czech Republic, with recommendations for the Member States and the Commission. The study will be finalised at the beginning of 2016;

– a first jour fixe between Commissioner Crețu and Commissioner Bienkowska has been held on 1st December. This was the opportunity for both Commissioners to endorse politically the Directorate's general action plan, show strong commitment to address these issues and stress the importance of Member States putting the necessary efforts and capacity into solving public procurement issues in the implementation of their programmes. They undertook a political evaluation of the public procurement action plan and decided on next steps to be taken. Mr Wynn Owen, member of the Court of Auditor and reporting member on the Special report on public procurement has participated to this jour fixe meeting to share the Court's findings and recommendations. Following this meeting was published the action plan with updated information on the 14 decided actions on the site of the Commission (http://ec.europa.eu/regional_policy/EN/policy/how/improving-investment/public-procurement).

Also, the Common Provisions Regulation defines a number of ex-ante conditionalities – one of which related to public procurement - and criteria for their fulfilment. The rationale for strengthening 'ex-ante' conditionality for the Funds is to ensure that the conditions necessary for the Funds' effective implementation are in place. Past experience suggests that the effectiveness of investments financed by the Funds have in some instances been undermined by weaknesses in policy, regulatory and institutional frameworks.

When the Commission estimates this ex-ante conditionality as not fulfilled, it imposes an action plan to the programme at the time of adoption. 12 Member States (Bulgaria, Czech republic, Greece, Hungary, Croatia, Italy, Latvia, Malta, Poland, Romania, Slovenia, and Slovakia) at the time of the adoption of their Partnership Agreements and Operational Programmes were non-compliant with the public procurement ex ante conditionality have prepared and are implementing action plans on how to redress structural weaknesses. The criteria for non-fulfilment related to 1) the transposition of the 2004 Public Procurement Directives, 2) transparency of procedures, 3) training and 4) administrative capacity. Out of the list, three Member States have fully implemented their action plan since then, and thus the ex-ante conditionality is now fulfilled (Malta, Poland and Latvia). If this non-fulfilment could entail a serious risk for the EU funds, the regulation gives the Commission the power to suspend (part of) the payments to the programme after end 2016 (Articles 19 and 142(e) of the Common Provision Regulation). The Commission will not refrain from suspending payments to Member States concerned until they have rectified these shortcomings.

Finally the 2014 Directives on public procurement introduce simplifications. They are to be transposed into national laws by April 2016, and will thereafter start producing their effect on the ground. The new rules have three main objectives: simplification, flexibility and legal certainty. Thus the simplification of procedures, greater flexibility and their adaption to serve other public sector policies or the possibility of the best quality-price ratio ('value for money') will make public procurement more efficient and more strategic.

12. Im Bericht des Rechnungshofes schätzt die Generaldirektion Regionalpolitik und Stadtentwicklung, dass bei 2,6 % bis 5,3 % der im Verlauf des Jahres für EFRE-/KF-OP des Programmplanungszeitraumes 2007 – 2013 genehmigten Zwischen- und Abschlusszahlungen eine Fehlerrisiko bestand. Die Kommission leistete 52 % der Zahlungen an die OP, die nach ihrer Einschätzung in wesentlichem Ausmaß (über 2 %) mit Fehlern behaftet waren. Warum werden Programme, obwohl diese wissentlich fehlerbehaftet waren, finanziell unterstützt?

In the report of the Court it is mentioned that DG REGIO estimates a risk for interim and final payments between 2,6% and 5,3% for the year concerned for ERDF / CF programmes of the period 2007-2013. The Commission did 52% of its payments to OPs for which it estimates an error rate above 2% (significant error rate). Why were there programmes supported financially (meaning probably received payments) even if the Commission knew that they contain errors?

<u>Commission's answer:</u>

The Honourable Member refers to page 44 of the Annual Activity Report 2014 linking the data on payments to the error rates from the Annual Control Reports.

First, it is worth recalling that when the payments are made during the year, the error rates used as a basis for estimating the risk on the legality and regularity of the expenditure are not yet obtained. DG REGIO would have however interrupted payments immediately in the cases when it would have been informed that expenditure in a certified statement of expenditure was linked to a serious irregularity which had not been corrected or when an audit body had provided evidence to suggest a significant deficiency in the management of control system of the operational programme, . This means that when the payments were made, DG REGIO considered that it had sufficient assurance based on the information available at that time (no audit result from national or EU audits indicating serious irregularities not corrected or significant deficiencies in the management and control systems). In addition DG REGIO has put in place since 2014 an additional precautionary measure and puts payments on hold (if possible while respecting the deadline of 2 months for payments) when an audit is scheduled by its services within this legal deadline for payments. This allows to take into account the most updated audit information before proceeding to payments.

In the beginning of the subsequent year and in the light of information on error rates reported by year end by the audit authorities and validated by its audit directorate, DG REGIO assesses retrospectively, whether it had sufficient assurance when making payments in the previous year. This is reported in the annual activity report.

Indeed, overall 52% of the payments were made to programmes in which the validated projected error rates were ex-post assessed as being above the materiality level of 2% (48% of the payments for programmes with an error rate between 2 and 5% and 4% of payments for programmes with an error rate above 5%).

However, for the large majority of these payments, DG REGIO considers that the level of assurance is sufficient as the financial residual risk is kept at a tolerable level on a cumulative basis. This assessment is based on the calculation of the cumulative residual risk for the programmes for which the error rates were between 2 and 5% (48% of the payments). If this cumulative residual risk is below materiality (i.e. below 2%), DG REGIO considers that the risk is appropriately covered on a multiannual basis and that the level of assurance on the related payments is sufficient (see page 58 of the 2014 REGIO annual activity report). On the other side, if the cumulative residual risk is above 2% DG REGIO interrupts the payments, imposes corrective actions and puts the related programme under reservation.

After carrying out this detailed analysis, DG REGIO estimates by end March of the following year the amount of expenditure for the reporting year (2014) for which the level of assurance is ex post considered not sufficient. This corresponds to 2.6 billion euros paid in 2014 (6% of the payments) for the programmes under reservation as reported in the 2014 annual activity report (page 91). The corrective actions – including appropriate financial corrections - specified for the programmes under reservations cover this expenditure.

13.

a) What actions do you take in order to reduce public procurement errors, the main source of irregularities according to the Court?

Commission's answer:

The Commission is undertaking several actions which should strike the right balance between both corrective and preventive measures. In this respect, the Honourable Member is referred to the Commission's reply to question 11.

b) What actions do you take against public procurement related corruption?

Commission's answer:

The Commission services have organised since 2013 anti-fraud and anti-corruption awareness raising seminars in Brussels and, so far, covering 15 Member States. The Member States were chosen based on the ranking established in Transparency International's Corruption Perceptions Index (CPI).

Transparency and genuine competition is key to fight against corruption. The Commission services have therefore launched a transparency initiative, Integrity Pacts for an ethical behaviour in public procurement procedures, in cooperation with Transparency International. At least 15 Integrity Pacts projects are planned in the course of 2016 until 2019 in the following Member States, which volunteered for this initiative: Bulgaria, Czech Republic, Greece, Hungary Italy, Latvia, Lithuania, Portugal, Romania, Slovenia, Poland.

In order to help prevent and detect risks related to corruption in public procurement, conflict of interest, concentration of funds and suspicion of fraud, the Commission has developed the data mining tool ARACHNE, a preventive risk-scoring tool. It has been made available to Member States free of charge, on voluntary basis. 21 Member States have agreed to test Arachne for one or more of their programmes (see reply to question 14).

Management and control systems

14. Arachne is a tool aimed at supporting the Management and Control Systems of the Operational programmes, at lowering the error rate and at strengthening fraud prevention and detection.
    a. According to the information gathered by the Commission, has Arachne been able to identify the most risky projects in the Member States where this tool is already operational? Can the Commission clarify exactly which Member States do not use this tool and if they plan to make it operational?

Commission's answer:

So far, 21 Member States are using Arachne in a test-phase. Ireland, Sweden and Austria have received detailed presentations of the Arachne tool and are reflecting upon its use. Lithuania and Finland still need to be visited in the framework of the presentation of the tool. Germany and Luxemburg decided not to use Arachne.

Arachne is expected to be fully operational at the end of 2015, when data protection procedures will be fully completed at EU level.

2014-2020 Common Provision Regulation Article 125.4 c) requires managing authorities to "*put in place effective and proportionate anti-fraud measures* *taking into account the risks identified*". Member States authorities are strongly encouraged to use Arachne as part of the implementation of this Article but any other tool delivering the same service is also acceptable.

15. For the management and control systems of 182 (out of the 322) operational programmes DG REGIO gave only a qualified opinion. How does the Commission intend to remedy the situation?

Commission's answer:

The Commission assesses the effective functioning of management and control systems for programmes based on information provided by its own audits, the audits of the audit authorities, as well as by OLAF investigations and the Court of Auditors work.

The operational programmes are continuously assessed in four categories during the year and as reported in the annual activity report at the cut-off date of 31 March each year. In the Annual Activity Report 2014 DG REGIO lists the following audit opinions:

- Unqualified opinion for 133 programmes, meaning that all systems function at a satisfactory level and there are only few errors in the payments.
- Qualified opinion with moderate impact for 142 programmes, meaning that the systems function at a satisfactory level and there are only few errors in the payments.
  The qualification of the opinion might come from some non-material weaknesses in the functioning of the management and control system like for example needed adjustments of methodologies with no major impact on detecting and correcting errors.
  Alternatively, for these programmes the qualification of opinion might be a result of a national system audit report identifying weaknesses in some limited parts of the programme, with minor impact on overall payments for this programme. In these cases, the payments to the concerned (minor) part of the programme are interrupted, but the remaining well-functioning parts of the programme continue to receive payments.
- Qualified opinion with significant impact for 40 programmes, meaning that the systems function with a significant level of deficiencies and there is a significant amount of errors in the payments.
  For these programmes all payments are interrupted.
- Adverse opinion for 7 programmes, meaning that the systems do not function and there is no assurance on the legality and regularity of the payments.

Therefore the Honourable Member is invited to consider that the figure of 182 referred to in the question refers to two different categories of qualified opinions, 142 of which do not bear a significant impact or risk on payments made (or a risk mitigated appropriately by sufficient corrections carried out). However, for these 47 programmes falling under qualified opinion with significant impact (40) or adverse audit opinion (7), all Commission payments are interrupted or suspended.

Therefore, DG REGIO has identified significant weaknesses in the functioning of 47 out of the 322 programmes. For some programmes only part of the programme is interrupted as deficiencies might concern only an intermediate body. For all those programmes DG REGIO requests and follows the implementation of targeted remedial action plans. Any action plan contains two main parts:

- Correction of the irregularities identified in the past expenditure, and
- Improvement of the management and control systems so that the irregularities which occurred in the past do not occur in the future expenditure.

The implementation of the action plans is regularly monitored. DG REGIO works closely with the concerned programme authorities to solve the detected deficiencies. It does not resume payments until it obtains reliable audit evidence that all necessary corrective actions, including financial corrections if it is the case, have been implemented. By doing so DG REGIO follows the previous discharge recommendations.

16. In 2014, as in previous years, the Court examined whether the Commission was effective in verifying the accuracy and reliability of the error rates reported by audit authorities. This was done for a sample of 139 OPs in 20 Member States (105 of the 322 ERDF/CF OPs and 34 of the 118 ESF OPs) on the basis of the Commission’s working files. In 20% of the cases (12% in 2013) the Court found significant issues with the Commission's checks. What is the Commission's reaction?

Commission's answer:

In 2014 the Court concluded that for 21 ERDF / Cohesion Fund programmes (or 20%) there are significant issues with the Commission's assessment of the error rates. However the Court considered that the shortcomings identified were not so serious since none of these cases should have led the Commission to make additional reservations or quantify reservations reported in the annual activity report with a higher financial impact (see paragraph 6.64 of the Court's Annual report).

This is an improvement compared to the previous year, as indicated in Table 6.1 of the Court's annual report: it shows that in the previous year for 15 ERDF/Cohesion Fund programmes (11%) the Court considered that there were "significant issues with the Commission's checks, requiring additional reservations or different quantifications". There was no ERDF/ Cohesion Fund programme falling under this category in 2014.

The issues identified by the Court for the 25 programmes (including the 21 referred to by the Honourable Member) concern the sampling methodology (population checked not fully aligned with expenditure declared (8), methodology used by the audit authority different from the one referred to in the audit strategy (11)) and incorrect extrapolation of errors found in sub-samples (5), while the audit authority had not reported using sub-sampling technics) (see Box 6.6 of the Court's 2014 Annual Report).

Therefore, in 2014 there is a clear improvement in the Court's opinion on the Commission's assessment of the annual control reports and the error rates reported in them. For none of the verified 139 programmes the Court had a different assessment than the Commission concerning the decision on reservation or the quantification of reservations. The Court confirms in paragraph 6.70 of its 2014 annual report that "*Overall, the Commission's calculation of the amounts at risk in the 2014 annual activity reports is consistent and accurate with the available information reported and/or provided by the audit authorities*", and under paragraph 6.72 that "*Our analysis found that the reservations made by the Commission in the 2014 annual activity reports were in line with (…) the information made available to the two directorates-general*".

DG REGIO and DG EMPL continue to work closely with the national audit authorities in order to ensure common methodology for the sample of audits of operations. In June and November 2015 the Commission discussed with the audit authorities an updated of the guidance note on sampling. The guidance note on treatment of errors was also updated in 2015 following requests of clarification from Member States.

17. In annex 7B the Commission gives an overview of error rates reported by Member States in their Annual Control Reports. In general the reporting accuracy seems to improve. Can the Commission give more details about the 11 programmes for which it gave a negative opinion? What are the reasons behind it?

Commission's answer:

In page 41 of its Annual Activity Report, DG REGIO informs that for 11 programmes (3% of the programmes) the opinion expressed by DG REGIO is more negative than the one issued by the audit authority.

This different assessment is based on the fact that for 8 programmes (1 in Austria, 1 in France, 3 in Italy, 2 in the United Kingdom and 1 ETC programme Greece-Italy) results reported by the audit authorities were considered unreliable, taking also into consideration in two cases preliminary DAS audit results from the Court (1 programme in the United Kingdom) and the analysis of an audit report from DG Employment for a common authority

(1 programme in Italy).

In another 3 cases, the Directorate-General expressed an adverse opinion (following the adoption of suspension decision) instead of an unqualified opinion reported by the audit authority in one case (1 programme in Italy) and qualified opinions with significant impact in two cases, due to a provisional high projected error rate in one case (Italy) and the non-finalization of audits of operations in the other case (Spain).

18. For 2014, all 28 Member States have complied with the minimum requirements of the Financial Regulation regarding the information to be provided in the annual summaries. Some Member States have followed the Commission's recommendations by providing a voluntary overall analysis at Member State level (19) and/or a voluntary declaration on the overall level of assurance (14) in their annual summaries. Which Member States provided the additional information and how does the Commission evaluates the usefulness of this information?

Commission's answer:

The 19 Member States and 14 Member States the Honourable Member is referring to are listed in annex 8 C "National system audit, annual summaries and national declarations" to DG REGIO 2014 Annual Activity Report.

After the analysis of all the annual summaries, DG REGIO considered that only in 8 cases the information provided was of some added value compared to the information already disclosed in the Annual Control Reports of the Member States. For the remaining cases information contained in the 2007-2013 annual summaries was of no real value.

The new legal framework for the 2014-2020 programming period has enhanced the reporting requirements of the Member States. In particular, under the new regulation the managing authorities will, as from 2016, be required to submit annually to the Commission a management declaration accompanied by an annual summary of all management verifications and audits carried out, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective actions taken or planned. These new reporting requirements are expected to increase the usefulness of the information provided by the Member States in the annual summaries, which become of a different nature (reporting on the quality and timeliness of management verifications).

19. Of the 73 reservations in place in 2013, 22 concerned Spanish, 9 Hungarian and 5 Slovak operational programmes. By March 2015, 22 Spanish, 8 Hungarian and 5 Slovak operational programmes were still under reservation. What does the Commission do about this unsatisfactory situation?

Commission's answer:

For each programme under reservation, the Commission protects the EU budget by interrupting or suspending payments and requires remedial action plans to correct irregularities included in past declared expenditure and to fix the management and control system to ensure that such irregularities are not repeated in future expenditure.

EU Payments are not resumed until the Commission obtains audit evidence, through its own follow-up audits or from a reliable audit authority, that all required remedial actions have effectively been implemented. All programmes subject to a reservation by the Director General are disclosed in the annual activity report, with the indication of the type of system deficiency identified and the targeted actions in place (for 2014 the Honourable Member is referred to DG Regional and Urban Policy annual activity report, annex 7A pp. 131 - 143).

Concerning Spain, all but one operational programme are under partial reservation (even reputational when no payment was made in 2014). This situation is due to the fact that deficiencies have been identified in 18 national intermediate bodies, some of them being different from previous years. Due to the complex Spanish administrative set-up, one intermediate body may cover several operational programmes. Any deficiency in that intermediate body has as a consequence partial reservation for all concerned programmes. For each of these affected intermediate bodies, remedial action plans are ongoing. Payments have been resumed so far for 4 of these intermediate bodies (in addition to another 5 cases relating to previous year's reservations) following implementation of the required corrective measures.

Reservations for 8 Hungarian programmes are linked to deficiencies identified in public procurement procedures with restrictive selection criteria ('asphalt issue'). Payments for these programmes have been suspended by Commission decision. Another two programmes have been under reservation in the 2014 annual activity report for other reasons.

For Slovakia, following a global pre-suspension, comprehensive action plans covering all programmes has been carried out since 2013 (see DG REGIO annual activity report for 2013, annex 7). That resulted in progressive improvements in the Slovak management and control systems and the implementation of the necessary financial corrections for the different programmes. At the time of the 2014 annual activity report action plans were still on-going for five programmes. As of today and as a result of additional improvements validated through follow-up audits, only two reservations are pending.

Programming period 2007-2013

20. As the current programming period increases pace and the Member States open calls for project proposals to be funded by the respective operational programmes, simplification needs are of greatest importance.

On 26 November the European Parliament adopted a resolution on simplification (*Towards simplification and performance orientation in cohesion policy for 2014-2020*), preceded by an oral question on the same topic.

- Will the Commission take into consideration the position of the European Parliament and will it take action in regards to the proposed measures?

<u>Commission's answer:</u>

The Commission will consider carefully the measures proposed by the European Parliament and shares many of the concerns about the need to increase the effort at all levels to ensure the effective and efficient management of our funds without adding to the burden on the beneficiaries. The Commission has set up the High Level group on simplification for beneficiaries exactly to assist in identifying the obstacles and barriers to simplification and to find a way to address them. Many of the issues raised by the European Parliament, such as addressing gold plating, maximising the potential of e-Cohesion, simplified cost options and simplification of implementation of financial instruments are themes on which the Commission has asked the High Level Group to provide advice. It has asked the High Level Group to make recommendations for concrete actions that can maximise the potential for simplification in the current period (2014-2020) and it intends to share these with all bodies concerned in the implementation of the funds. The Honourable Member is also referred to reply to Question 21.

- More specifically, will the Commission provide the Member States with a roadmap for streamlining and simplifying control, monitoring and reporting activities? Will the Commission simplify and relieve the beneficiaries by a light-touch approach to data and information requirements in the process of application and reporting related to EU funding under shared management?

<u>Commission's answer:</u>

The issue of simplification of ESI Funds is part of the Commission's plans on better regulation and better results. The work programme for the High Level Group provides an indication of how this work will be taken forward for 2014-20 and for the future period.

Regarding streamlining of reporting activities, to address the issue of the reporting burden, more efficient delivery and lighter reporting have been important elements of the new regulations. For example, the reporting requirements for the Investment for Growth and Jobs Goal focus in particular on core common indicators, which will facilitate aggregation of data and reporting on achievements at EU level. The annual implementation reports are lighter than in previous periods, with more in depth reporting only required in 2017 and 2019. These provisions coupled with the e-Cohesion requirements should make a difference to beneficiaries in 2014-20.

At this point in the programming period, there is a need for stability of the rules and time for the new provisions to embed and start to deliver their potential simplification benefits. The Commission has launched a series of studies to understand better the take up of the new provisions by the Member States and their concrete impact.

The right balance needs to be found between the necessity under shared management to have reporting requirements in place, so that the Commission can exercise its supervisory function on implementation and provide reliable information to its stakeholders, and the need to ensure an appropriate and affordable administrative burden on beneficiaries. This was the purpose of the new regulation.

21. Errors are often triggered by complex rules, what kind of simplification do you propose in order to address this issue? How did you address previous EP recommendations calling on the Commission to move towards enhanced simplification?

Commission's answer:

The new regulations offer a broad range of opportunities for simplification and reduced administrative burden. These include a set of common rules for all ESI Funds, the extended use of simplified costs options, simplified rules for revenue-generating projects and financial instruments, and e-cohesion.

Member States and regions have also to play their role and avoid "gold-plating" by all means.

The Commission services are carefully analysing the steps Member States intend to undertake to reduce the administrative burden. They have launched a study on how the new simplification mechanisms have been applied and assessing administrative costs and burdens. The final results of this study are expected in early autumn next year.

Also, I took the initiative to propose an independent High Level Group monitoring simplification for beneficiaries. It has been established by Commission decision on 10 July 2015 and focuses on five main issues: the access to funding by SMEs, "goldplating" at national/regional level including selection of projects, the use of simplified cost options, the use of "e-cohesion" and the implementation of projects under community-led local development.

It will run for three years and is chaired by former Commission Vice President, Siim Kallas.

During the 1^{st} year, the High Level Group will assess the uptake of simplification possibilities by Member States and deliver its first conclusions and recommendations, which could feed into the work on the mid-term review of the MFF and the EU Budget for better results initiative.

In 2016, the High Level Group would work on a more detailed analysis of the implementation of simplification opportunities in Member States and regions, based on a dedicated study foreseen by DG REGIO and on evidence presented to it by stakeholders during the meetings. This would result in 2016 in recommendations on how to improve the uptake of opportunities of simplification for beneficiaries provided by the regulations.

The High Level Group would focus in 2017 on proposals for how to achieve further simplification in the post-2020 regulatory framework.

In addition, legislation has been revised in the areas of public procurement and State aid, which trigger the majority of errors. The EU public procurement directives have been revised in 2014. Public procurement procedures will be simpler and more flexible in the future. If correctly transposed and implemented, this will benefit both public purchasers and businesses, particularly small and medium-sized companies, and will reduce the risk of errors. However this will not have immediate effect as the Member States have until April 2016 to transpose the new rules into their national law.

As regards State aid, new and clearer Regulations have entered into force on 1 July 2014. They contain more flexible rules on the incentive effect and indirect aid, with retroactive effect. This will also reduce the risk of error in this area.

I also consider that the Commission has addressed the EP recommendations on the need for simplification through the key elements of the 2014-2020 reform which establish a common set of rules for all ESI funds and emphasize on simplification, in particular through the wider use of simplified cost options.

22. Low absorption rates for a few countries (HR, RO, SK) are worrying and still behind the Commission targets set for 2014. The Court also refers to 4 Member States having outstanding commitments representing 15% and more of their general government expenditure in 2014 (RO, BG, SK, CZ). What measures do you envisage to boost the absorption rate while ensuring compliance?

Commission's answer:

The Court identifies four Member States (Romania, Bulgaria, Slovakia, Czech Republic) for which the outstanding payments represent more than 15% of the general governmental expenditure. All four Member States (as well as Croatia, Hungary, Slovenia and Italy) are covered through the work undertaken in the framework of the Task Force for Better Implementation which I tool the initiative to set up.

After a detailed situation analysis the Task Force for Better Implementation has agreed action plans for each of the 8 Member State concerned which were closely followed up throughout the entire year. It also ensures an exchange of experience and good practice among the participants.

The Task Force for Better Implementation has supported these Member States into looking at the situation of their programmes and into actively searching for solutions to some of the challenges faced, while continuing to ensure strict compliance with the applicable rules. For example:

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

All existing possibilities of the current legal framework were examined in the context of the specific Member State concerned. In this context, following the conclusions of the European Council in December 2014, the optimal use of flexibility provided within the Closure Guidelines has played an important role. The following additional measures are the most widely used in the countries concerned:

- ✓ the possibilities to compensate lower absorption in one priority by over declaration of expenditures in performing priorities (10% flexibility),
- ✓ flexible arrangements regarding phasing of projects between the 2007-2013 and the next period or
- ✓ disbursement of funds from financial instruments to final recipients till the moment of closure.

We will be able to fully appreciate the impact the Task Force had on the optimum use of the 2007-2013 allocations around mid-2016 and ultimately at closure. What is already clear is that every positive development (like the examples above) will make a difference. Moreover as of end 2015 I note that the level of payments to the concerned countries, and in particular RO (60%), BG (72%), CZ (73%) and SK (74%) increased significantly in 2015 compared to the figures reported in 2014 and have already or should by year end reach the target.

23. In November 2014 the Commission put in place a Task Force for Better Implementation in order to improve the implementation of ERDF/CF in eight Member States. Which are the eight Member States? What are the main problems?

Commission's answer:

As indicated in reply to question 22, the eight Member States are Bulgaria, Czech Republic, Croatia, Hungary, Italy, Slovakia, Slovenia, and Romania.

The Task Force have analysed the reasons which are specific to each Member State and may even be specific to the different programmes. However, there are some common patterns and common causes of bottlenecks.

The slow start of programmes, the insufficient preparation of complex infrastructure projects, the long project cycle, lengthy national administrative procedures (permitting, appeal procedures, administrative procedures linked to management of funds and implementation in general), insufficient administrative capacity (both at the level of beneficiaries and in programme management level), lack of experience and consequent errors in public procurement procedures are all influential factors when it comes to explaining why implementation in these countries is lagging behind.

It has to be underlined that the success of implementation starts already at the programming stage and that seven of the mentioned countries implement their first full 7-year programmes in the 2007-2013 period. These countries are on a learning curve. Efficient national mechanisms are needed to be put in place to support the beneficiaries in implementing the funds and undertake regularly capacity building actions both for the beneficiaries and the authorities managing the funds. The Commission proposes support through capacity building initiatives (the Honourable Member is also referred to the Commission's reply to question 9- preventive action part- and 22).

24. The Commission has taken specific actions to mitigate risks of errors. In 2013 DG REGIO, together with DG GROW set up a comprehensive action plan to improve the implementation of public procurement rules. What is the state-of-play?

Commission's answer:

On the Commission's political commitment to have the action plan on public procurement deliver concrete and effective results, with a view to reducing errors and improving implementation of ESI Funds, the Honourable Member is referred to the reply under question 11.

Out of 14 actions of the updated joint action plan on public procurement, two are completed, eight actions are under implementation and four actions are in different stages of preparation.

The two actions completed are:

1. Compilation and analysis of evidence and indicators on public procurement performance as input for x-ante conditionality negotiations;
2. Preparation and dissemination of Practical Guidance on “How to avoid common errors”;

Under implementation are:

1. Stocktaking/ analysis of current Member States performance in

capacity building, ("Stock-taking of administrative capacity, systems and practices across the EU to ensure compliance and quality of public procurement involving ESI Funds"): a draft final report has been received and the final report expected at the beginning of 2016. A seminar on the results of the study will be organised as well at the beginning of 2016;

2. Country specific action plans (Country strategies) for Member States with identified weaknesses: Romania, Bulgaria, Italy, Greece, the Czceh Republic and Slovakia;
3. Training/Guidance on how to prepare and follow-up actions plans (linked to ex ante conditionality);
4. Preparation for the new public procurement directives (by 2016): training, dissemination, specific actions about new elements;
5. Transparency initiative against corruption ("Integrity Pacts") in cooperation with Transparency International;
6. Assessments of current practices and need for professional training and qualifications in public procurement;
7. Targeted support for specific Member States to assist by learning by doing ("TAIEX REGIO PEER2PEER");
8. Study on how public procurement can be used as a strategic tool, ("Study on strategic use of public procurement"): the inception report has been received in June 2015.

Mid and long term actions are:

1. Update of the auditor's checklists for public procurement errors based on changes introduced by the new public procurement directives (by 2016-2017);
2. Developing an index for rating contracting authorities according to their performance on tendering procedures;
3. Scoping the potential for database on irregularities in public procurement and exploitation;
4. Actions to increase the quality of public procurement processes, to achieve more value for money through overall procurement processes, planning of e.g. of timelines for preparation of bids and evaluation, procurement strategy, market research.

25. What is the current state-of-play in implementing the ECA's recommendations of the Special Report 10/2015 "Efforts to address problems with public procurement in EU cohesion expenditure should be intensified"?

Commission's answer:

The Commission has accepted all the recommendations made by the Court. It has to be noted that some recommendations are addressed to the Member States (recommendations 1(b) and 6(b)).

For the recommendations addressed to the Commission, the situation as regards the implementation is as follows:

- Recommendations 1(a), 2, 6(a) are under implementation;
- Recommendations 3 and 4 is already partially implemented
- Recommendation 5 is already implemented.

Commissioners Crețu and Bienkowska had the opportunity to present the state of play of the Commission's follow-up to the Court's reporting Member, Mr Wynn Owen, on 1st December. Indeed, both Commissioners have jointly decided to meet regularly to discuss this important issue at the highest political level.

The action plan on public procurement has been updated by all relevant services. Commissioners Crețu and Bienkowska endorsed it and it has now been published on the Commission website (see hyperlink in the reply to question 11). Action plans on fulfilment of ex-ante conditionalities are carefully followed up: this approach is based both on preventive activities with the Member States to steer the implementation of required action plans and corrective measures (suspension of payments).

The Commission services are also further improving and exploiting the available database at our disposal: MAPAR for collecting and analysing the Commission's audit findings on public procurement, IMS for the reporting by Member States of detected irregularities in that area, and ARACHNE, a risk scoring tool. Finally, the Commission will continue applying financial corrections in case of public procurement errors to ensure the legality and regularity of expenditure charged to the EU budget, based on the Commission guidelines for flat rate corrections.

26. The public procurement often involves subcontractors.

a) How the Commission can guarantee the transparency of beneficiaries' data in case of subcontractors?

<u>Commission's answer:</u>

The performance of Public Procurement contracts indeed often involves sub-contracting. The guiding principle is that main contractors are free to organise themselves as they deem most appropriate to perform the contract.

The Public Procurement Directives consequently contains few provisions on subcontractors. Information on the subcontractor must however be provided if the main contractor relies on the capacity of the subcontractor in order to meet the required levels of technical or economic capacity, or where a change of subcontractors is requested [e.g.: Article 63 of Directive 2014/24].

The new Public Procurement Directives [2014/23/EU, 2014/24/EU and

2014/25/EU] provide for more transparency obligations on the contractor in relation to the contracting authority concerning the identification of subcontractors involved in works contracts and in certain service contracts [e.g.: Article 71 of Directive 2014/24]. Member States may extend this to other forms of contracts and/or to other subcontractors than those operating directly for the main contractor.

In case ERDF or Cohesion Fund funding is involved, the applicable legal framework does not provide for specific requirement as regards data on sub-contractors. Indeed, according to the Common provisions regulation (Article 115(2)), Member States are requested to maintain a list of operations by operational programme and funds. This list of operations shall contain, inter alia, the data on beneficiaries (see annex XII of the common provisions regulation) but this does not relate to contractors or subcontractors. Transparency requirement for Member States or managing authorities is about beneficiaries, not about contractors or subcontractors they might use when implementing operations supported by ESI Funds.

b) Could the Commission provide data for each Member State on the funding received by subcontractors?

Commission's answer:

The Commission cannot provide data for each Member Sate on the funding received by subcontractors: under shared management, the individual managing authorities have specific details on projects implemented.

Lists of the beneficiaries (and not contractors or sub-contractors) of the European Regional Development Fund and the Cohesion Fund are maintained by the respective Member States and are accessible via the website dedicated to EU Regional and urban policy http://ec.europa.eu/regional_policy/en/atlas/beneficiaries/.

27. In June 2014, a working group composed of Italian and Commission representatives was set up to support simplification in the context of the transposition of the 2014 EU directives into national legislation. As the ECA has observed in its Special Report 10/2015, the legislative framework of public procurement is quite complex, due to the breadth and depth of legislation and the complexity of the procedures set out for both the contracting authorities and the tendering companies involved. In addition, the main Italian law on public procurement has been frequently amended, complicating application. According to the Italian Anti-corruption Authority, the principal changes to the main legislative acts on public procurement since 2009 are contained in 22 legislative acts. Can the Commission explain which the actual outcomes of the abovementioned working group are? Could the Commission provide data on the situation in other Member States?

Commission's answer:

National Action Plans for the fulfilment of ex-ante conditionality of ESI Funds concerning public procurement by the end of 2016 are tailor-made to the specific challenges faced by each Member State. Whilst for some Member States – such as Croatia or Slovenia – the Action Plans require actions to improve certain aspects of the system (e.g. training of civil servants involved in public procurement), for others – like Romania or Bulgaria – a more detailed and wide-ranging approach is taken and national strategies are adopted, which go beyond the ex-ante conditionality action plan in scope and timing.

The Commission (DG GROW) is supporting Italy in drafting its national strategy for the reform of the public procurement system. This strategy and its implementation constitute key actions in the context of the Action Plan signed by Italy to fulfil the ex-ante conditionality.

The Italian strategy is expected to be detailed and comprehensive. It will update and simplify the legislative framework, reducing its complexity and instability and ensuring compliance with EU rules, by reforming the Public Procurement Code. The strategy will also improve the institutional context, support professionalization and modernization of the public administration in the field of public procurement, enhance the transparency and integrity of procurement procedures, and reform the system for the award of concession contracts.

28. In his annual activity report the director general notes (page 5): "Persistent difficulties are still noted, however, in relation to environment infrastructure, partly due to issues of administrative capacity in some Member States." Which are the Member States concerned and what are the difficulties?

Commission's answer:

Low reported achievements in relation to environmental infrastructure were partly due to issues of administrative capacity in certain Member States. This concerned for instance Bulgaria and, to a lesser extent, Romania. These issues have however been taken into account during the negotiations of 2014-2020 programmes and are currently being addressed through the implementation of action plans linked to relevant ex-ante conditionalities.

Other issues in relation to environment infrastructure have been noted in other Member States such as Slovenia (lengthy public procurement procedures, crisis in the construction sector leading to bankruptcies of contractors, long national spatial planning procedures) or Spain (administrative difficulties).

There are action plans for the fulfilment of the ex-ante conditionalities concerning water infrastructure, waste infrastructure, as well as environmental legislation in the following Member States: Bulgaria, Cyprus, Czech Republic, Spain, France, Greece, Croatia, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovenia and Slovakia. DG REGIO is being monitoring the implementation of these action plans and working with the Member States to achieve compliance with the ex-ante conditionalities by end 2016.

29. As regards broadband networks, progress has been achieved in broadband coverage (access under 30 Mbps for most of all of its citizens and firms) and take-up throughout Europe, which contributes significantly to economic cohesion. However, there remains many "white areas" where no telecom operators are willing to invest. How does the Commission address the problem?

Commission's answer:

Already since 2010 Mobile telephone and Internet coverage in rural areas have been important policy objectives for the EU. The Digital Agenda has set out ambitious targets for (i) all Europeans to have access to Internet speeds of at least 30 Mbps and for (ii) 50% or more of European households to subscribe to Internet connections above 100 Mbps by 2020.

In support of this 2020 strategy, the Commission has been working on creating the right regulatory environment and financial support for broadband infrastructure in rural areas under the ESIF. Around EUR 6 billion of ESIF (ERDF and EAFRD) are estimated to finance high speed broadband roll-out and other digital networks in 2014-2020.

Furthermore, the Radio Spectrum Policy Programme stipulates that Member States shall, in cooperation with the Commission, take all steps necessary to ensure that sufficient spectrum for mobile telephone coverage and capacity purposes is available within the Union.

To further promote public funding in rural areas, the Commission revised the guidelines for the application of EU State aid rules to the broadband sector in January 2013 and published a new Broadband Investment Guide in September 2014.

Besides, the Commission has proposed the creation of a European Fund for Strategic Investments (EFSI), intended to unlock public and private investments of at least € 315 billion over the next three years (2015-2017). Building on the experience of the Connecting Europe Facility (CEF), broadband projects will be eligible for financial instrument support under EFSI.

Finally in the frame of the Digital Single Market strategy a review of the Universal Service Directive for telephony and broadband access is planned.

Finally, the Commission intends to make a legislative proposal early next year regarding the use of the 700 MHz band for wireless broadband. This frequency band is particularly suitable for wide coverage of less densely populated areas, which the Commission's proposal will promote.

30. The performance information related to the specific objectives 12 and 13 resulting from the 2007-2013 European Territorial Co-operation programmes is considered unreliable. What does the Commission do about it?

Commission's answer:

In its 2014 Annual Activity Report DG REGIO explains that no information is currently available concerning indicators associated with ERDF specific objectives 12 and 13. The report goes on to present indirect evidence and qualitative conclusions from the analysis of available performance information resulting from 2007-2013 programmes. The qualification used "despite it being considered only partially reliable" refers to the fact that (1) the core indicator information presented covers only a limited number of programmes and (2) the qualitative assessment provided by the ETC programmes on what they had achieved in their Annual Implementation Report was uneven between programmes.

To address this the Commission has launched in December 2014 a work package on ETC in the context of the ex-post evaluation of the 2007-2013 to establish what results have been achieved via co-operation programmes across Europe, with particular focus on co-operation in the field of research, technology and innovation, environmental protection and enhancement, and capacity building.

Financial engineering instruments

31.

a) What is the contribution of financial instruments under Cohesion Policy to President Juncker's Investment Plan for Europe?

Commission's answer:

ESI Funds programmes can have a major impact in supporting President Juncker's Investment Plan through a significant increase in the use of financial instruments. DG REGIO objective is to achieve an overall doubling in the use of financial instruments compared to previous programming period. Following a stock-taking exercise based on Member States planning, 6,2% of the total allocations for cohesion policy are planned to be delivered through financial instruments. It represents an amount of EUR 21 billion, to be compared to an amount of EUR 10.9 billion of contributions paid to financial instruments at the end of 2014 under the previous programming period.

Complementarities are also expected between the ESI Funds and the European Fund for Strategic Investment (EFSI) which was recently created to lever additional private and public sources of funding for investment. The intention is both to widen the pool of available projects and to ensure more sources of funding. The EFSI should be seen as a complementary instrument to catalyse additional investment by combining resources at the level of individual projects or at the level of the fund manager or financial intermediary.

Combination of resources is legally possible in cases where the respective applicable eligibility criteria are satisfied whilst bringing a demonstrable added value for a more effective and efficient use of both funding sources. This can be either at individual project level or at fund level. This is however subject to certain conditions to avoid a doubling of EU support. As an example, under the Infrastructure and Innovation Window of the European Fund for Strategic Investment, such combination at project level could take place. ESIF programme support may cover a portion of the costs of a specific project in the form of a grant or through a financial instrument, while an EFSI loan may cover another part of these costs in addition to the initial investment brought by the project promotor and other investors. The Infrastructure and Innovation Window will support viable strategic infrastructure and innovation projects such as healthcare research in Spain, the construction of 14 new healthcare centres across Ireland and backing for industrial innovation in Italy.

b) Given the problems encountered in the 2007-2013 period, how can the Commission ensure that the use of financial instruments will improve in the 2014-2020 period?

Commission's answer:

Within the 2014-2020 programming period, the use of financial instruments is made more flexible and targeted, and a single set of rules applies across all ESI Funds. Lessons from the 2007-2013 period were learnt, for example:

- ✓ allocations and the strategy for the use of financial instruments will be better targeted based on an obligatory ex-ante assessment for each instrument;
- ✓ a stable legal framework conducive to more legal predictability;
- ✓ payments into instruments will be made in tranches related to performance (no "parking of programme resources");
- ✓ management costs and fees must be performance oriented;
- ✓ annual reporting will be about the use of resources and also the impact of financial instruments;
- ✓ a broader range of available financial instruments (off-the-shelf, EU level instruments e.g. the SME Initiative).

c) Why is the implementation of financial instruments in the 2007-2013 period so low?

Commission's answer:

There is significant difference in the implementation between Member States and also between areas of intervention. On 1 October 2015, the Commission reported on the situation of the implementation of financial instruments at the end of 2014 which shows further progress in implementation with an absorption rate of 57%. This represents a significant increase in the payments to final recipients compared to 2013 (+40%).

This percentage covers instruments established in 2008, some of which have already achieved 100% absorption and are now re-investing revolving funds, as well as instruments newly established in 2013 and 2014 for which implementation only started recently.

The use of financial instruments was considerably promoted for 2007-2013 programmes and it is undeniable that such new instruments required a learning curve by managing authorities. The slow implementation is the result of three factors:

- ✓ complexity of the setup and need to establish the necessary know-how by the managing authorities;
- ✓ in some cases over-allocation of resources as compared to the real market need, to avoid automatic decommitment,
- ✓ implementation in the time of financial crisis, and risk aversion by banks and economic operators.

d) What measures are you taking to improve implementation?

Commission's answer:

The rate of implementation is steadily increasing and rose from 47% at the end of 2013 to 57% at the end of 2014. This average for all instruments includes those newly established in 2013 or even in 2014. There are a significant number of instruments which have already achieved 100% absorption and are now re-investing revolving funds. The reporting shows the following absorption rates, with a better implementation for enterprises which desperately need access to credit:

- ✓ for the instruments for enterprises: 61%;
- ✓ for the instruments for energy efficiency: 37%; and
- ✓ for urban development: 33%.

Measures taken to improve implementation are detailed in replies to questions 33 and 34.

32.

a) How often were financial engineering instruments (FEI) used in combination with the ERDF in 2014?

Commission's answer:

In order to enhance the transparency of the implementation of FEIs and ensure appropriate monitoring by the Member States and by the Commission, the

Article 67 of Council Regulation (EC) 1083/2006 was modified to request reporting data on the progress made in financing and implementing FEIs for the years 2011 onwards. The last report was published on the 1st October 2015 and communicated to the CONT Committee, presenting the implementation status of FEIs at the end of 2014.

As of 31 December 2014, the contributions paid by the managing authorities to FEIs amounted to EUR 16.018 million, out of which EUR 10.913 million Structural Funds and EUR 5.105 million of operational programme national co-financing. Compared to 2013 this is an increase of EUR 1.740 million (+12%).

Out of the EUR 10.913 million Structural Funds, EUR 10.452 million represents contributions from ERDF, or 96% of the total contributions to FEIs and 5,2% of the total amount of ERDF allocated to all 28 Member States by the end of 2014.
The ESF contribution of EUR 462 million represents 0,6% of the total amount of ESF allocations to all Member States by end 2014.

b) Are FEI a useful instrument in implementing European regional and urban policy objectives?

Commission's answer:

FEIs are an effective and efficient way of getting high value from the EU budget and have an important role to play in the delivery of the policy objectives of cohesion policy. The benefits include:

- ✓ Leverage resources and increased impact of ESIF programmes;
- ✓ Efficiency and effectiveness gains due to revolving nature of funds, which stay in the programme area for future use for similar objectives;
- ✓ Improved incentive for recipients to ensure better quality of projects as investment must be repaid;
- ✓ Access to a wider spectrum of financial tools for policy delivery & private sector
- ✓ involvement and expertise; and
- ✓ Attract private sector support (and financing) to public policy objectives.

The overall aim of the new programming period 2014-2020 is to deliver more ESIF through financial instruments in the future, with the aim of an overall doubling, in line with the commitment made in the Juncker Investment Plan. (see reply to question 31a).

c) Which kind of ERDF programme is likely to benefit most FEI?

Commission's answer:

For the programming period 2007-2013, the Structural Funds may finance support to enterprises, primarily SMEs, urban development funds and energy efficiency funds. The ERDF programmes which used the FEIs as a delivery mode were Competitiveness and Regional programmes.

For the programming period 2014-2020, the possibility to use financial instruments set-up at national, regional level, transnational or cross border level was extended to all thematic objectives covered under a programme. It is expected that financial instruments will focus more particularly on the following thematic objectives:

- TO4: supporting the shift towards a low-carbon economy in all sectors

- TO3: enhancing the competitiveness of SMEs

- TO1: strengthening research, technological development and innovation

- TO2: enhancing access to, and use and quality of, ICT.

Following the results of a stock-taking exercise on the basis of Member States planning for the 2014-2020 programming period, out of the EUR 21 billion expected to be delivered through financial instruments :

– EUR 3.8 billion will address energy efficiency and renewable energy as well as investment in other low-carbon related sectors.
– EUR 10.2 billion will go to SMEs, of which 1 billion will be delivered through the SME Initiative. This initiative has been taken up by Spain, Malta, Bulgaria, Romania and Italy. Finland has also taken the decision to implement the SME Initiative.

33. The Commission, together with the Member States, has undertaken a number of measures (point 6.49) to ensure that the remaining investments made by FEIs will reach final recipients in a timely manner.

Commission's answer:

The Commission together with the Member States have undertaken a number of measures to ensure that the remaining investments will reach final recipients on time:

- ✓ Improving monitoring of performance by managing authorities and encouraging reallocation of amounts from low performing funds to well performing funds;
- ✓ Encouraging changes to the instruments and financial products in order to adapt them to changing market conditions;
- ✓ For long-term investments in urban development or energy efficiency where payments are made gradually with the progress of the projects, a request for reporting of the investment pipeline.

In its closure guidelines, the Commission has clarified the timeframe for implementation of these instruments whilst remaining fully in line with the provisions of the regulation: Payments into financial instruments have to be made by the end of 2015. Eligible expenditure linked to effective implementation by payments out of the instruments to final recipients is established at closure, therefore by 31 March 2017.

34. Particular problems were noted for financial instruments in five Member States: (Bulgaria, Greece, Romania, Slovakia and Spain) where the disbursement rates are significantly below the EU average for 2013. What kind of problems did these countries encounter? How can the Commission assist them?

Commission's answer:

Issues for ERDF-funded financial engineering instruments were identified in these countries. They were related to the low disbursements to final recipients and problems in the management and control systems.

The level of implementation of instruments is to be analysed in relation to the timing of the set-up of such instruments. For example, in Bulgaria and Romania, it should be noted that the agreements with financial intermediaries were signed late (in 2011, 2012 and or even only in 2013). Thus, an absorption rate lower than the average was to be expected. Nevertheless, the absorption has increased during 2014, reaching 59% in Bulgaria and 78% in Romania.

DG Regional and Urban Policy has set up an internal Task Force for better implementation for 8 eight Member States, including the ones mentioned above, having a significantly low rate of financial implementation. The internal Task Force is responsible for drawing up action plans for each Member State concerned (or reviewing and fostering implementation for existing action plans if already in place). It ensures an exchange of experience and good practice among the countries concerned, so that the actions being undertaken in the various countries to foster implementation, including for financial instruments, are shared across the countries.

Internal Audit Service (IAS)

35. The Commission's *Internal Audit Service (IAS)* conducted a "Gap analysis of new legislation/design for the 2014-2020 programming period" How did the Commission follow-up the four recommendations (page 84 of the AAR) ?

Commission's answer:

For each of the recommendation, the Commission’s services haves developed and agreed an action plan which the IAS considered satisfactory. The actions are implemented according to the agreed timetable. An updated and fully fledged single audit strategy addressing the first recommendation was notably adopted in June 2015 and communicated to the CONT Committee (Ares(2015)2736512 dated 30/06/2015). The final phases before Operational Programmes adoption have been carefully monitored. Checks have been carried out on the proposed indicators in particular concerning the plausibility of milestones and targets. Finally, the new business processes have been rolled out in the concerned IT systems according to agreed work plan. To verify proper implementation, the IAS will conduct a follow-up audit once the responsible Commission services report the actions to be put in place.

Programming period 2014-2020

36. The control over the use of regional funds implies a certification system and ex post control by an audit system. The new MFF is based also on performances:

a) could the Commission explain what kinds of parameters are involved in the performance evaluation?

Commission's answer:

Result orientation

For the 2014-2020 period the intervention logic at programme and priority axis comprises:

- the identification of the needs and the objectives (changes sought), the setting of result indicators to measures change,
- the development of a strategy with specific actions aiming at achieving the change objective,
- the allocation of funds to the actions and the choice of output indicators and targets
- the monitoring of the outputs deriving from the actions.

Programme authorities should select the most suitable projects in order to achieve the envisaged outputs. The specific objectives and result indicators are aligned with thematic objectives which reflect EU priorities.

Performance will be assessed through programme monitoring information, the annual reporting of achievements by programmes (result and output indicators) and through evaluations. The performance framework for the allocation of the performance reserve also plays a specific role.

Performance framework

The performance framework builds on elements of the result orientation. It relies on performance indicators linked to i) financial progress and ii) output indicators (achievements of key implementation steps). Such indicators are directly under the influence of the programme managers and a good measure of the performance in implementation.

The objective of the performance framework is to give incentives to programme and priority managers to deliver what is under their control – the actions and direct outputs. It will reward programmes which progress well towards the objectives (6% allocation of the performance reserve) but will also trigger measures for priorities which fail to do so. There are milestones set for these indicators to be achieved by the end of 2018 and targets to be achieved by the end of 2023. The objective is that the priorities are implemented as planned and the programme is kept on course to achieve its objectives.

There will be a formal review of performance in 2019. It will be the basis for the allocation of the associated performance reserve and for any changes needed for programmes to reach their objectives. If the review identifies a serious failure to achieve the milestones, the priority axis concerned will not receive its associated performance reserve and may be subject to the suspension of interim payments. The serious failure to achieve targets set for the end of 2023 may lead to financial corrections.

Annual monitoring

The Commission will produce a report on the outcome of the negotiations by the end of 2015, as required by Article 16 of the Common Provisions Regulation for the 2014-2020 period. This will include a presentation of the expected achievements by 2023. The first elements available are quite positive: the intervention logic of programmes has improved, and the use of output and result indicators is better developed.

The Commission will transmit each year from 2016 to the European Parliament a summary report on the implementation of ESI Fund programmes based on the annual implementation reports of the Member States as foreseen in Article 53 of Regulation (EU) 1303/2013. I expect programmes to start reporting substantial data next year, for the 2017 annual report.

The Commission will also submit a synthesis of the findings of the available evaluations of programmes. In 2017 and 2019 the summary report shall form a part of the strategic report.

Impact and ex-post evaluations

The regulation for the period 2014-2020 has introduced obligations for operational programmes to establish specific evaluation plans and to carry out impact evaluations.

At the end of the programming period the Commission will perform ex-post evaluations. Ex-post evaluations will examine the effectiveness and efficiency of the ESI Funds and their contribution to the Union's strategy for smart, sustainable and inclusive growth.

b) How the audit system can evaluate the performance of a financed project?

Commission's answer:

The performance assessment will not be carried out at the level of individual projects by the European Commission, but at the level of the priority axis of the programme where the specific objectives are fixed and the result indicators are established. The Member State has the responsibility to ensure that the right projects are selected for support which will contribute to these objectives. Progress will be monitored via the annual reporting on outputs, as well as through evaluations.

The Commission services will audit the systems put in place by the Member States to collect and monitor performance indicators and milestones and will review the coherence between reported data on indicators and effective progress of the projects. In line with the single audit principle, the audit assurance on performance data reported by Member States will be built on two levels:

- The national audit authorities will verify the reliability of i) the systems collecting the data on the indicators and ii) the data itself on a sample basis. This will be done both through audits of the system and as part of the project audits.
- The Commission will supervise the work performed by the national audit authorities through i) review of the work of the national audit authorities and ii) audits on the spot at the level of the single projects on a sample basis.

37. According to the ECA Annual Reports 2009-2013, around 40 % of the projects, where public procurement (PP) was audited, was affected by errors. European Structural and Investment Funds regulations set up ex-ante conditionality on PP. So far, 12 Member States had not fulfilled ex ante conditionality on PP at time of the audit.

a) Could the Commission provide specific data on the state of play? Which countries are concerned and which measures do the action plans foresee?

Commission's answer:

The 2015 ECA special report on Public Procurement indicated that 12 Member States (Bulgaria, Czech republic, Greece, Hungary, Croatia, Italy, Latvia, Malta, Poland, Romania, Slovenia, and Slovakia) as non-compliant with the Public procurement ex ante conditionality. All these Member States have prepared and are implementing action plans on how to redress structural weaknesses.

Since the audit of the ECA, three Member States have fully implemented their action plan, and thus the ex-ante conditionality is now fulfilled (Malta, Poland and Latvia).

For the nine remaining Member States, the Commission is monitoring very carefully the ex-ante conditionalities process until end December 2016. In case the ex-ante conditionality is not fulfilled by that date, the Regulation gives the Commission the power to suspend (part of) the payments to the programme (Articles 19 and 142(e) of the Common Provision Regulation)- see also reply to question 37b)-.

All the action plans are tailor made and address the specific issues in each Member State, but they cover horizontal measures like e.g. strengthening the administrative capacity of Public Procurement Offices, developing and rolling out strategic training plans covering "train the trainer" elements and development of standardised templates for specific tender procedures and manuals.

b) If the PP ex ante conditionality is not fulfilled by the end of 2016, will the Commission use its power to suspend payments to the Member States concerned until they have rectified the shortcomings?

Commission's answer:

The Commission will where justified use its power to suspend payments to Member States concerned until they have completed their action plans to ensure full compliance with the ex ante conditionality.

38. How will ex-ante conditionalities contribute to the performance framework and ensure well-performing projects?

Commission's answer:

The ex-ante conditionalities and the performance framework were introduced as a part of the ESI Funds reform. They are working together to guarantee an effective and efficient use of the EU support during the whole policy cycle.

Ex-ante conditionalities are ensuring that the preconditions for funding are in place **at the beginning of the implementation**. They address deficiencies in Member States linked to:

- ✓ lack of strategic planning in key investment areas,
- ✓ unsound regulatory framework and
- ✓ insufficient administrative capacity of the national and regional authorities.

Failure to complete actions to fulfil ex ante conditionalities by end 2016 shall constitute a ground for suspending interim payments to the priorities of the programme concerned that are affected. They therefore constitute a strong incentive for Member States to ensure that framework conditions for effective investments are in place.

They address barriers to investment in the sectors co-financed by the ESI Funds, thus they contribute to the implementation of the third pillar of the Investment Plan for Europe. This will improve effectiveness and regularity of the co-financed projects.

Performance framework is guiding the ESI Funds' implementation towards the expected results **throughout the whole programming period**. It translates the objectives of the EU support into clear, measurable milestones (for 2018) and targets (for 2023). Since they are linked to the performance reserve, a failure to achieve milestones and targets will have to be addressed by the Member State, because it will have important financial consequences.

39.

a) Some European regions are not able to absorb the funds provided, and some Regions were unable to provide the Operational Programmes for the new financing period (2014-2020) in time. Has the Commission identified if there's a link between these two different problems?

Commission's answer:

There are a range of factors which can lead to delay in programme submission. There are countries where programming at regional level suffered from some delays but where the implementation overall for 2007/2013 is satisfactory or even good (e.g. Germany or Sweden had some programmes adopted somewhat late). On the other hand, in some other countries while there are delays in the implementation of certain regional programmes, the programming process went along smoothly (like in Slovakia). If programming negotiations happened at national level, links are less likely between implementation of programmes at regional level and programming.

It is not excluded that the lack of administrative may have implied in some cases delays in the implementation of the previous programming period and difficulties in the preparation of the current programming period. However, as explained above, the situation is generally more complex.

In any events, the Commission services have accompanied all countries actively in the programming procedure: technical meetings, guidance and seminars were provided for all Member States. The Expert Group on ESI Funds is a key forum in this regard. In countries where programming is carried out in a strong regional framework, the close working arrangements were adapted and tailored to the region's needs.

b) What kind of support has the Commission provide to help Regions to present their Operational Programmes?

Commission's answer:

The Commission services have accompanied all countries actively in the programming procedure, apart from the technical meetings, guidance and seminars which were provided to Member States. The Expert Group on ESI Funds is a key forum in this regard.

In countries where programming is carried out in a strong regional framework the close working arrangements were adapted and tailored to the region's needs.

40. Welche Rolle sollen die Regionen in der neuen Kohäsionspolitik spielen, wie können sich Regionen stärker einbringen?

What role should the regions play in the new Cohesion Policy? How can regions participate more?

Commission's answer:

Sub-national authorities, including regions, play a very important role in cohesion policy and are closely involved throughout the entire programming cycle.

Article 5 of Regulation (EU) 1303/2013 (Common Provisions Regulation for the ESI Funds) requires Member States to organise a partnership with competent regional and local authorities as well as with competent urban and other public authorities, economic and social partners, and relevant bodies representing civil society, in accordance with their respective institutional and legal framework. Fulfilment of this requirement is a necessary condition for adoption of Partnership Agreements and programmes.

Moreover, for the very first time, a European Code of Conduct on Partnership, based on the above provisions, lays down a number of principles and good practices in order to support and facilitate Member States in the organisation of partnership. This approach leaves sufficient flexibility to Member States to take appropriate measures to develop the practices and culture of partnership.

In the context of the negotiation of the Partnership Agreements and programmes for the 2014-2020 period, the Commission paid special attention to the way Member States involve regional and local authorities. Feedback has been generally positive and possible reasons for concern have been addressed with national authorities. Regional authorities are in some cases Managing Authorities of Cohesion Policy programmes. It is up to the Member State to decide on their administrative and institutional organisation.

The Commission has also set up a Structured Dialogue expert group for ESI Funds for the programming period 2014-2020, with the aim, inter alia, to debate on the implementation of the partnership principle. Members of this group have been selected following a call for proposals and represent the three categories of partners referred to in Article 5 of the CPR, including regional authorities.

41. Welche Rolle sollen Städte in Zukunft in Europa spielen? Soll die „städtische Dimension der EU“ Urbanisierung fördern, oder entgegenwirken?

In the future what role should cities play in Europe? Should the "urban dimension of the EU" support more urbanisation or should it try to prevent urbanisation?

Commission's answer:

Urbanisation is a reality in Europe as in most countries and is not depending on an urban agenda at EU level. The general principle is to develop an urban policy based on the most sustainable, inclusive and smart way, through an integrated approach to urban development.

In the programming period 2014-20 ERDF Article 7 on urban strategies foresees a minimum of 5% of ERDF at national level allocated to cities.

Under the ERDF ca. EUR 15 billion will be allocated to urban authorities for integrated urban strategies (ERDF Article 7) and cities will be responsible at least for the selection of projects under these strategies. Member States and regions have selected around 500-800 urban authorities.

Furthermore, following the Commission Staff working document 109/ 2015, the Commission is also working on an EU Urban Agenda whose objectives are to involve cities in the design of EU and national policies and to mobilise them in the implementation of EU and national policies. This will make cities more effective and efficient on the ground. It will also yield concrete results for all levels (EU/national/city) in terms of better regulation, better funding and better knowledge base and exchange.

42. Gibt es Pläne zur Förderung und Forderung von Regionen nach Spezialisierungen, ist Clusterbildung eine Option der Kommission?

Are there plans for support and ask regions to specialise? Is clustering an option for the Commission?

Commission's answer:

The European Member States and regions have been putting in place the regional innovation strategies for smart specialisation (RIS3). It is a prerequisite for new operational programmes in the European Regional Development Fund (ERDF) to receive funding in the area of research and innovation (REGULATION (EU) 1303/2013). RIS3 sets priorities in order to build competitive advantage by developing and matching research and innovation own strengths with business needs to address emerging opportunities and market developments. Only priorities identified in RIS3 can be financed from ERDF with the aim to leverage economic transformation by focusing on cross-sectorial and cross-disciplinary combinations, not sectors.

The design and implementation of these smart specialisation strategies is based on the mobilisation of stakeholders in an entrepreneurial spirit. Therefore clustering and cluster organisations have an important role to play because they combine research, industry and government in innovation partnerships. On the other hand bottom-up cluster organisations will strengthen their future orientation by implementing smart specialisation strategies.

In order to identify opportunities for cross-regional collaboration for smart specialisation investment the European Commission will develop 'Thematic Smart Specialisation Platforms' in important priority areas such as energy, industrial modernisation, agro-food or digital growth. The European Commission will also promote the establishment of 'Strategic European Cluster Partnerships for Smart Specialisation' among cluster organisations across regions to develop joint strategies for transforming and emerging value chains in specific identified areas.

43. Das Investitionsvolumen, gerade bei infrastrukturellen Projekten, stagniert oder nimmt ab. Gibt es konkrete Pläne der Kommission in der neuen Periode Infrastrukturprojekte in hoch entwickelten Regionen mehr finanzielle Unterstützung zukommen zu lassen?

    The funds allocated to investments in infrastructure are being reduced in amount. Are there concrete plans of the Commission to provide more financial support to infrastructure projects in the better developed regions?

Commission's answer:

The programming of 2014-2020 ESI Funds is now completed. There is a balanced portfolio of investments established for all regions and Member States. Due to more limited envelopes and the need to focus investments, the regulations foresaw a concentration of funding, linked to the level of development of the region. Therefore, less basic infrastructure investments are foreseen in the more developed regions and more emphasis is put on Research, Development and Innovation, Information and Communication Technologies, Small and Medium Enterprises support and the low-carbon economy.

44. Welche Rolle werden die makroregionalen Strategien in Zukunft in der regionalen Entwicklung spielen?

    What role will macro-regional strategies play in the future regional development?

Commission's answer:

Since the first macro-regional strategy was adopted in 2009 in the Baltic Sea Region, covering eight Member States, the concept has gained momentum and three other strategies have been adopted since then (the Danube Region in 2010, the Adriatic-Ionian Region in 2014 and the Alpine Region in 2015). They altogether directly concern 19 EU Member States and nine non EU countries. Similar, but less advanced, approaches and reflections have been initiated in other parts of Europe (Mediterranean Sea region, North-Sea, Arctic Ocean, etc.). A sea-basin strategy in the Atlantic Area is also under way. The Commission has observed that a large majority of countries and regions which have decided to embark in this new cooperation approach consider the macro-regional scheme as a useful policy framework to implement policies in a more cooperative, coordinated and coherent way and to get better results in terms of economic, social and territorial cohesion.

The Commission will further reflect on the merits of macro-regional strategies in regional development, by evaluating the performance and achievements of the ongoing strategies and by examining to what extent mainstream ESIF programmes and instruments as well as other EU programmes could be better used and coordinated to implement the strategies.

45. Wo sollen die Kompetenzen der makroregionalen Strategien in Zukunft liegen?

Where should/would lay in future the competences of the macro-regional strategies?

Commission's answer:

Based on specific Council requests, all macro-regional strategies are politically led by the Member States that asked for it. The Commission considers this to be appropriate and in compliance with the principle of subsidiarity. Leadership and ownership of the strategies should lie at the level of the Member States. The implementation of the priorities lies in the main responsibility of the key partners in each macro-region concerned, which implies that the competences are exerted accordingly.

For its part, the Commission, in line with successive Council conclusions on the different macro-regional strategies, has been assigned the role of facilitator/coordinator in the implementation phase of the strategies, in close cooperation with the countries concerned in each macro-region. This coordination concerns among others the actions supported by European Structural and Investments Funds. This is one of the reasons why the coordination of macro-regional strategies at the level of the Commission (from the drafting of the action plans and adoption of the strategies to the implementation) has been steered so far by the Directorate General for Regional and Urban Policy. However, since all macro-regional strategies concern the coordination of a wide range of policy areas, this leaves room for alternative organisational solutions in the Commission.

Risk of fraud

46.

a) What is the level of fraud suspicion for regional policy?

Commission's answer:

This Commission is committed to "zero tolerance to fraud and corruption". The Commission services have in place a Joint Anti-Fraud strategy established between the four ESI Funds Directorates general and with OLAF.

The Commission's main source for the level of fraud suspicions in regional policy is the Member States' regulatory reporting on detected irregularities, which also includes the number and financial volume of fraudulent irregularities (i.e. fraud suspicions).

Analytical statistics on detected and reported fraudulent and no-fraudulent irregularities are available in the annual *Report from the European Commission to the European Parliament, Protection of the European Union's Financial Interests – Fight Against Fraud*. The last report concerns the year

2014: a total of 306 fraudulent irregularities were reported under cohesion policy amounting to EUR 274 million (this corresponds to 0,51% of payments made in 2014). This is not the final financial impact as Member States have a regulatory obligation to correct all irregularities at the latest at programme closure.

However, the Commission acknowledges that the reported figure on fraudulent irregularities does not necessarily reflect the real level of fraud as fraud by definition is designed to go undetected. Nor is the figure a sign of low risk. The Commission treats these figures with caution and is aware of the caveats surrounding them. The Commission will continue to explore other sources to estimate the level of fraud together with external partners, including academics. This should enable the Commission to continuously better prevent and detect fraud, including providing adequate assistance and tools to the Member States. This is a common effort to be shared with the Member States.

b) What measures do you undertake against?

Commission's answer:

The Joint Anti-Fraud Strategy 2015-2020 of DG REGIO, EMPL and MARE is the fourth joint anti-fraud strategy since 2008. The underlying motto is "zero tolerance to fraud and corruption".

The 2015-2020 strategy intensifies the anti-fraud efforts of the three DGs most notably through a series of new initiatives:

- ✓ introduction of a specific regulatory anti-fraud requirement for 2014-2020 in the Common Provisions Regulation (Article 125(4).c CPR) and provision of related guidance to managing authorities, including a fraud risk assessment tool;
- ✓ the rolling out by the Commission of the ARACHNE risk scoring tool to Member States to be used on a voluntary basis in order to help them better identify risky projects and take action appropriate action on these in order to ensure legality and regularity of expenditure (see also reply to question 14);
- ✓ the organisation by REGIO's Competence Centre for Administrative Capacity Building of targeted anti-corruption and anti-fraud seminars for Member States with a view to strengthening their capacity to better fight fraud and corruption;
- ✓ other actions with the objective of promoting good governance and increasing the administrative capacity of the Member States to protect the EU's and national financial interests (e g Integrity Pacts to fight potential fraud and corruption in public procurement in cooperation with Transparency International, Member States' authorities, contractors and civil society organisations).

And by all means any fraud suspicion detected by DG REGIO under its own audits and through any other information coming to its knowledge is immediately communicated to OLAF for analysis and possible further investigation. DG REGIO has a policy in place to immediately follow up all OLAF final case reports and immediately requests Member States to stop declaring expenditure related to projects concerned by a fraud suspicion or any investigation at national level.

47. The problem of fraud and corruption remains important in some Member States. What action the Commission has implemented in 2014 at regional level to fight this phenomenon?

Commission's answer:

The three most important Commission actions implemented at regional level in 2014 were:

- ✓ communication of a practical step-by-step guidance note to Member States in order to help Member States comply with Article 125(4c) of the Common Provisions Regulation which obliges them to put in place effective and proportionate anti-fraud measures, taking into account the risks identified. In addition, a guidance document which aims to assist Member States in establishing national anti-fraud strategies was developed within the framework of the Advisory Committee for Coordination of Fraud Prevention expert group in close cooperation with Member States' experts;
- ✓ promotion and training in the Member States regarding the use of the data mining and risk-scoring tool ARACHNE (see also reply to question 14);
- ✓ organisation of targeted anti-fraud and anti-corruption seminars in cooperation with Transparency International in the following Member States, in which the in particular the above-mentioned initiatives were presented in workshops: Greece, Slovakia, Czech Republic, Bulgaria, Croatia, Romania, Italy, Slovenia and Spain.

To this can be added:

- ✓ preparation and dissemination of a guidance for practitioners on "How to avoid common public procurement errors";
- ✓ country-specific action plans to address public procurement weaknesses identified in particular in Bulgaria, Greece, Italy and Romania.

Relocation

48. In connection with the 2013 discharge procedure, Commissioner Creţu informed the Budget Control Committee that according to the General Regulation (EC) No 1083/2006 the Commission should have all necessary information to consider whether the financial contributions from EU funds does not result in a substantial loss of jobs in the existing locations within the European Union, in order to ensure that that EU funding does not support relocation within the European Union.

    According to Commissioner Creţu, potential cases of relocation are regularly brought to the attention of the Commission. One such case is the Danish company Kongskilde. The company moved 125 jobs to Poland after receiving DKK 45 million to support the construction of a production facility in Poland. Nevertheless, the Commission concluded that no relocation of jobs took place as the co-financed production facility in Poland, produced a different product line.

    - In connection with the 2013 discharge procedure, the Commissioner informed the Committee that one case had let to the suppression of a grant (Twinings in 2011). Does the Commission plan to strengthen the control measures in view of the limited number of cases that has led to the suppression of a grant? For instance, does the Commission find it appropriate that Member States' authorities ask the company in question to investigate itself, which seems to be the case in the case of Kongskilde?

Commission's answer:

The Commission and the national authorities can only act within the boundaries of the legal framework adopted by the Council and European Parliament. There are no rules established at the EU level for conducting investigations on the ground. It is the responsibility of each Member State to ensure that the legal provisions are followed. When a Member State discovers a case of "relocation" in the meaning of the 2007-2013 Regulation, it must declare the irregularity and immediately start the process of recovery of the funds. Failure to do so could lead to a financial correction. The limited number of relocation cases detected is not due to a lack of control but to the fact that the cases reported are seldom "relocation" cases in the sense of the 2007-2013 legal framework.

In line with the division of competences between the Commission and the Member States, it is the national/regional managing authorities' responsibility to contact a company suspected of relocation in order to obtain and assess the necessary information. In the Kongskilde's case, at the request of the Commission, the Polish authorities asked the company to explain the situation and to reconfirm – in the light of the latest information regarding the plant in Sondeberg – that no relocation took place. There is no evidence that could lead to suspecting the company and/or the Member State of not providing full information.

- Does the Commission plan to introduce new guidelines in order to reduce uncertainty for Member States and companies regarding the rules, e.g. will the Commission propose a precise definition of the term “substantial job loss" and will the Commission clarify under what circumstances a job is defined as “relocated”?

Commission's answer:

The Commission does not plan to introduce new guidelines or interpretation.

For the new programming period (2014-2020), the legal requirements relating to the durability of operations comprising investment infrastructure or productive investments supported by the European Structural and Investment Funds, impose the reimbursement of funding if the beneficiary has relocated the productive activity outside the programme area within five years of the final payment or within the period of time set out in state aid rules, where applicable. This five year period may be reduced to three for SMEs.

(Legal reference: Recital 64 and Article 71 of Regulation (EU) N° 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the ERDF, the ESF, the Cohesion Fund, the EAFRD and the EMFF).

For major projects (projects of a total eligible cost above EUR 50 million (EUR 75 million for transport projects), the application to the Commission must provide the assurance that the financial contribution from the Funds does not result in a substantial loss of jobs in existing locations within the Union (Recital 92 of the same legislation).

Any case falling outside this legal context could not be considered as a potential relocation case.

Regarding the definition of the term “substantial job loss", the Honourable Member is referred to the point below.

- In 2007, the Commission recommended to Member States to include a clause in the programmes with a view to develop a system that would ensure that direct aid given to large firms does not lead to firms going to other regions in the EU (letter sent to the Permanent Representations to the EU of all Member States on 17/09/2007). Has the Commission evaluated the system put in place by the Member States? Does the Commission plan to follow-up its 2007 recommendation, e.g. by including small-and medium-sized enterprises (SMEs represent 90% of all businesses in the EU) ?

Commission's answer:

The additional clause introduced in the 2007-2013 programmes allowed the Polish authorities to withdraw the EU support to Twining (the regulation would not have been a sufficient legal basis by itself). Drawing from this positive experience, a similar sentence was introduced in all relevant 2014-2020 programmes stating that "*where 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*." The Commission does not intend to extend this recommendation to SMEs. The word "substantial" in this context is not defined in the CPR. However, the Commission interprets this to mean at least 100 jobs (for comparison, the Twining case concerned the loss of 400 jobs in the UK).

Refugees

49. European Union Member States are currently exposed to an unprecedented humanitarian crisis. Millions of *refugees* are currently, or may in the near future be knocking on our door seeking protection from war and political prosecution. In this context the Commission published a communication on 23 September 2015 entitled "Managing the refugee crisis: immediate operational, budgetary and legal measures under the European Agenda on Migration" (COM(2015)490 final), which points out (p. 10) *" Even if the Structural Funds operate with a long-term perspective, they can still be mobilised to help tackle the migration challenge in terms of integration measures like language learning or co-financing key infrastructure including housing and social infrastructure, and in emergency cases reception centres."* How can the European Structural and Investment Funds, and in particular the ERDF, be mobilised with the view to alleviating the burden of Member States stemming from the influx of refugees?

Commission's answer:

The Honourable Member is referred to the Commission's reply provided to the similar question included in the questionnaire to Commissioner Thyssen (question 49), which also covers the ERDF..

La Réunion

50. The IMSAT-CEPROCIM company has cooperated with HOLCIM "in engineering supply and erection increase of capacity cement mill" in the harbour of La Reunion in 2013. Are those activities financed by any EU money?

Commission's answer:

The Company IMSAT-CEPROCIM has not received any support from the EU Structural Funds in the context of the cooperation with HOLCIM mentioned in the question.

51. Does Mr Olivier Rogoz (Middle East Manager of IMSAT) work on and projects in La Réunion benefitting from EU financing?

Commission's answer:

The activities of Mr Rogoz in La Réunion do not benefit from any financing from the EU Structural Funds.