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on the Court of Auditors' special reports in the context of the 2011 Commission discharge
(2013/2015 (DEC))
Committee on Budgetary Control

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the Court of Auditors' special reports in the context of the 2011 Commission discharge
(2013/2015(DEC))**

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2011¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2011 (COM(2012)0436 – C7-0224/2012)²,
- having regard to the Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2011, together with the institutions' replies³, and to the Court of Auditors' special reports,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2011 pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to its Decision of April 2013 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2011, Section III – Commission⁵ and to its resolution with observations that forms an integral part of that Decision,
- having regard to the special reports of the Court of Auditors drawn up pursuant to second subparagraph of Article 287(4) of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2013 on discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2011 (05752/2013 – C7-0038/2013),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union and Article 106a of the Euratom Treaty,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁶, and in particular Articles 55, 145, 146 and 147 thereof,

¹ OJ L 68, 15.3.2011.

² OJ C 348, 14.11.2012, p. 1.

³ OJ C 344, 12.11.2012, p. 1.

⁴ OJ C 348, 14.11.2012, p. 130.

⁵ Texts adopted, P7_TA-PROV(2013)0000.

⁶ OJ L 248, 16.9.2002, p. 1 .

- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002¹, and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Rule 76 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0096/2013),
- A. whereas, pursuant to Article 17(1) of the Treaty on European Union, the Commission shall execute the budget and manage programmes and shall do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principle of sound financial management,
- B. whereas the special reports of the Court of Auditors provide information on issues of concern related to the implementation of funds, which are thus useful for Parliament in exercising its role of discharge authority,
- C. whereas its observations on the special reports of the Court of Auditors form an integral part of Parliament's abovementioned Decision of ... April 2013 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2011, Section III – Commission;

¹ OJ L 298, 26.10.2012, p. 1.

Part I - Special Report No 12/2011 of the Court of Auditors entitled "Have EU measures contributed to adapting the capacity of the fishing fleets to available fishing opportunities?"

1. Welcomes the Court of Auditors' report and notes its damning appraisal of the measures undertaken by both the Commission and Member States;
2. Emphasises the fact that the Common Fisheries Policy (CFP) claims to promote sustainable fishing, which implies the long-term viability of the fishing sector and a balance between fishing resources and the capacity of the fishing fleet in order to avoid overexploitation of fish stocks;
3. Takes note that although the reduction of fishing overcapacity has been a recurrent theme in previous reforms of the CFP and has been addressed in the Court of Auditors' Special Reports No 3/1993 and No 7/2007, the expensive measures taken to date to reduce fishing overcapacity by adapting the fishing fleet to fishing resources have been unsuccessful;
4. Recognises that as from 1995, the trend for Union fish catches has been declining and that, according to the Commission's Green Paper on reform of the CFP of 22 April 2009 (COM(2009)0163), this decline is largely due to overfishing and forms part of a vicious circle involving fishing overcapacity and low economic performance of the fishing fleets;
5. Is concerned that since the last reform of the CFP in 2002, fish catches have declined by 1 000 000 tonnes and jobs in the fishing sector have declined from 421 000 to 351 000;
6. Notes that although there is no official definition of overcapacity, declining catches and lost jobs caused by overfished fish stocks demonstrate de facto overcapacity; calls on the Commission to therefore define overcapacity and consider more relevant and robust measures to facilitate actions to balance fishing capacity with fishing opportunities;
7. Believes that it is essential that the Commission urgently draft a report containing the data on existing overcapacity in the Union, broken down by fishery and country;
8. Is concerned, furthermore, that fleet capacity ceilings, as a measure to restrict the size of the fishing fleet, have become irrelevant since the actual fleet size is well under the ceilings and could even be 200 000 tonnes bigger, while still complying with the rules; stresses that at the same time, due to technological advances, the fishing capacity of the fleets has increased with an average of 3 % per year during the last decade;
9. Notes that the CFP measures vessel capacity in terms of power (kilowatt) and size (gross tonnage) and that, however, these measures do not take into account technological progress in fishing methods, which complicates the task of setting appropriate targets for its reduction; notes that the Commission wants to maintain these static parameters until the end of 2015;
10. Calls on the Commission to enforce the Member States' obligation to correctly update

their fleet register, and to establish the obligation to report on their efforts to balance fishing capacity with fishing opportunities;

11. Notes that in terms of reducing fishing capacity, the Commission's new proposal for the CFP is founded on a new, market-based approach (schemes for granting transferable fishing rights) since the Commission has reached the conclusion that these schemes have a positive role to play in reducing fishing overcapacity;
12. Expresses its concern at the shortcomings encountered in the rules for the treatment of fishing rights when fishing vessels are scrapped with public aid, and at the failure to define clear and effective criteria for selecting vessels; considers that the scrapping schemes have, in part, been poorly implemented, with examples of taxpayers' money being used for the scrapping of already inactive vessels or even being used indirectly for building new vessels; notes, however, that some Member States have had scrapping schemes that have fulfilled their purpose; stresses, therefore, the need of strict safeguards when using scrapping schemes, as a way of reducing overcapacity in order to avoid abuse;
13. Regrets that investment on board fishing vessels, funded by the European Fisheries Fund (EFF), could increase the ability of individual vessels to catch fish; considers that the interpretative note, prepared by the Commission and sent to Member States following the Court of Auditors' Special Report on the ability of the vessels to catch fish in which the Court of Auditors called for national authorities to enforce stricter checks before deciding on the funding of projects of investments on board, is insufficient;
14. Notes that, whereas point 36 of Special Report No 12/2011 says that, by the end of 2010, implementation of the EFF, in terms of expenditure certified by Member States, amounted to EUR 645 million, or 15 % of the amount available from 2007 to 2013, most of this amount was declared in 2010 and EUR 292 million had still not been paid by the Commission as at 31 December 2010, owing to the Council's late adoption of Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund¹ and the complexity involved in the initial setting-up of management and control systems by the Member States; notes that certified interim payments sent by Member States by the end of December 2011 amounted to 28 % (EUR 1 188 million) of the overall EFF allocation and welcomes the fact that the pace of absorption of the EFF is now picking up;
15. Recommends that the Member States take measures to
 - adapt their fishing fleets to the existing fishing opportunities,
 - ensure that selection criteria for fishing vessel decommissioning schemes are designed to have a positive impact on the sustainability of the targeted fish stocks and avoid providing public aid for decommissioning inactive fishing vessels;
16. Calls on the Commission to set effective fishing fleet capacity ceilings;

¹ OJ L 223, 15.8.2006, p. 1.

17. Considers that a reform of the CFP is needed to regionalise its implementation and the management of its programmes and measures;
18. Endorses the Court of Auditors' recommendations that:
 - actions should be developed to effectively reduce overcapacity of the fishing fleet and to better define and measure fishing capacity and fishing overcapacity, while at the same time not disregarding that the remaining jobs in the fishing sector should be maintained;
 - the aid scheme for modernising vessels should be reconsidered and the role of fishing right transfer schemes clarified;
 - clear selection rules should be established for fishing vessel decommissioning schemes;
 - Member States should implement the EFF on time and any publicly funded investments on board should not have an increased fishing ability as a result;
 - the fleet register should be correctly updated, and Member State reports should contain the required information and be of suitable quality;
19. Considers, moreover, that, in the light of the Court of Auditors' criticism, it has become clear that the EFF and CFP are currently an ineffective use of our common resources, and therefore welcomes the fact that the scheme will be reviewed in its entirety in the near future; highlights the importance, when re-structuring these schemes, of focusing on the areas within fisheries policy that can best be dealt with at Union level, such as the environmental aspects, rather than on various types of ineffective subsidy scheme;

Part II - Special Report No 13/2011 of the Court of Auditors entitled "Does the control of customs procedure 42 prevent and detect VAT evasion?"

20. Welcomes the Court of Auditors' Special Report No 13/2011;
21. Recalls that the proper collection of value added tax (VAT) directly affects both the economies of Member States and the Union budget, as tax fraud, in particular VAT fraud, leads to exorbitant losses for the Union budget and the economies of Member States, thus exacerbating the debt crisis; points out that VAT fraud estimates amount to annual figures of around EUR 1 400 million;
22. Believes that particularly in the current economic climate, the emphasis should move to more efficient and fairer revenue collection systems; emphasises that the improvement of such systems should be of the utmost priority for the Union and all Member States, in particular those facing the biggest economic difficulties;
23. Recalls that according to a study carried out on behalf of the Commission, the estimated average VAT gap in the Union is 12 %; draws special attention to the fact that this VAT gap has been at an alarming level of 30 % and 22 % in Greece and Italy respectively, the Member States which are experiencing the most difficult debt crisis;
24. Stresses that besides tax avoidance and losses due to insolvencies, the VAT gap is also attributable to fraud, non-transparent rules, incoherent control systems and non or partial implementation of Union law in Member States, and that VAT losses, translating into billions of euro, are largely compensated for by means of austerity measures, affecting citizens of the Union, and borne by citizens whose income is well documented and traceable;
25. Is profoundly concerned about the Court of Auditors' findings, in particular that the application of customs procedure 42¹ alone accounted for extrapolated losses of approximately EUR 2 200 million in the seven Member States audited by the Court of Auditors in 2009, representing 29 % of the VAT theoretically applicable on the taxable amount of all the imports made under customs procedure 42 in 2009 in those Member States;
26. Notes with concern that the Court of Auditors found that the Union's regulatory framework does not ensure the uniform and sound management of this VAT exemption by Member States' customs authorities and that the regulatory framework does not ensure that the information concerning those transactions is always made available to the tax authorities in the Member State of destination, leaving the system vulnerable to misuse by organised crime and individual fraudsters, creating huge competition disadvantages for bona fide traders;

¹ Regime used by an importer in order to obtain a VAT exemption when the imported goods will be transported to another Member State and where the VAT is due in the Member State of destination.

27. Draws attention to the Court of Auditors' finding that customs authorities in the audited Member States do not ensure the validity and completeness of data and the fulfilment of other exemption conditions;
28. Is concerned that the Court of Auditors found serious deficiencies in the control of simplified customs procedures, which account for 70 % of all customs procedures, in particular, poor-quality or poorly documented audits and automated data-processing techniques for carrying out checks during the processing of simplified procedures which are of little use; points out that those deficiencies have led to unjustified losses to the Union budget and that the correct operation of customs has a direct impact on the calculation of VAT; deplores the fact that the Commission did not take appropriate measures to remedy this over the last 10 years but was hiding behind the rules, which seemed quite adequate on paper;
29. Notes with regret that since its introduction, the VAT collection model has remained unchanged; believes that it is outdated, given the many changes to the technological and economic environment that have occurred;
30. Urges the Commission and Member States to monitor and effectively respond to both existing and new trends in fraud, and requests that the Commission inform the Committee on Budgetary Control by September 2013 which temporary and permanent measures were taken on the basis of customs procedure 42, not only by the Union, but also at national level and their effect on the number of fraud cases; takes note of the Commission's Green Paper on the future of VAT – Towards a simpler, more robust and efficient VAT system (COM(2010)0695), and calls for concrete proposals to be made on VAT reform;
31. Calls on the Commission to urge Member States to simplify their law on VAT, introduce a standard form for the notification of the implementation of VAT to tax authorities and establish uniform and proper management of cases of exemption from VAT by the customs authorities of the Member States and to ensure the improved availability of those legislative texts translated into English, French and German as a minimum requirement;
32. Deplores the postponement of the entry into force of the Modernised Customs Code (MCC) as provided for in the Commission's proposal for a regulation of the European Parliament and of the Council laying down the Union Customs Code (COM(2012)0064), and considers the proposed new date of 31 December 2020 to be unacceptable; recalls that Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code)¹ provided that the MCC would enter into force by 24 June 2013 and urges the Commission and Member States to take the necessary steps in order to speed up the preparation process;
33. Strongly suggests to all Member States to take part in Working Field 3 of *Eurofisc* on fraudulent transactions using customs procedure 4200;

¹ OJ L 145, 4.6.2008, p.1.

34. Endorses the Commission's proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax as regards tax evasion linked to import and other cross-border transactions (COM(2008)0805), which aims to introduce joint liability of traders in intra-Union transactions, holding importers jointly and severally liable in cases where false, late or incomplete reporting of the transaction to the VAT authority has resulted in VAT loss and subjecting them to appropriate penalties;
35. Stresses the importance of more intensive and rapid cooperation between Member States, better monitoring of exchanges of information and more direct contacts between local tax and customs offices, including by means of the online VAT Information Exchange System (VIES), so as to ensure that Member States provide efficient assistance to each other;
36. Recommends to Member States that they give customs authorities online access to the VAT identification numbers contained in VIES without further delay, in order to enable the latter to fulfil their obligations to verify the VAT numbers collected in customs declarations; requests that the Commission keep Parliament's competent committees and the Court of Auditors informed on a monthly basis on the developments in all Member States on preventing fraud under customs procedure 42;
37. Calls on the Commission to create a system that would combine assistance in the customs area and administrative cooperation in the area of VAT to ensure effective information flows, so that the relevant authorities in one field are routinely informed about action in the other field; considers that this would make the cooperation between the competent authorities and the charging of VAT in the Member State of destination more effective and rapid;
38. Stresses the role of e-government in increasing transparency and combating fraud and corruption, thereby safeguarding public funds; stresses that the Union is lagging behind its industrial partners, inter alia due to a lack of interoperability of systems¹; stresses that the Union must step up its efforts to achieve a new generation of e-government;
39. Points out that documented, electronic, non-cash transactions make participating in the black economy more difficult, and that a strong correlation appears to exist between the proportion of electronic payments in a country and its black economy²; encourages the Member States to lower their thresholds for compulsory non-cash payments;
40. Endorses the Court of Auditors' recommendations, in particular:
 - the recommendation to amend the Customs Code Implementing Provisions, implementing compulsory communication of the relevant VAT ID numbers,

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 19 May 2010: A Digital Agenda for Europe (COM(2010)0245).

² The Shadow Economy in Europe, 2010: Using Electronic Payment Systems to Combat the Shadow Economy / Friedrich Schneider, A.T. Kearney, 2010.

- the recommendation to amend the VAT Directive in order to hold importers jointly and severally liable for the VAT loss,
- the recommendation to the Commission to provide guidance to Member States on assistance and administrative cooperation,
- the recommendation to provide for automatic verification of VAT ID numbers and creation of EU risk profile under customs procedure 42,
- the recommendation for amending the VAT Directive allowing for reconciliation between customs and tax data,
- the recommendation to provide for exchange of information necessary for correct charging of VAT,
- the recommendation to set up a direct automatic data exchange concerning risk-prone transactions under customs procedure 42;

calls on the Commission to report on a six-monthly basis on how and when it will implement those recommendations;

Part III - Special Report No 14/2011 of the Court of Auditors entitled "Has EU assistance improved Croatia's capacity to manage post-accession funding?"

41. Welcomes the Court of Auditors' Special Report No 14/2011, and endorses the Court of Auditors' conclusions, in particular its finding that "overall EU pre-accession assistance to Croatia is making a significant contribution to Croatia's progress in building up its administrative capacity for managing increased EU funding post accession"; welcomes the significant and positive role of pre-accession assistance in preparing Croatian authorities for the management of cohesion and rural policies in the post-accession period;
42. Regrets that the Court of Auditors' report does not include sufficient information on levels of error or fraud and on the follow up, including judicial where necessary, as well as on the performance evaluation;
43. Stresses, however, that the Court of Auditors concludes that "the assistance has only been partially successful so far in achieving its objectives and further progress in capacity building has to be supported in a number of key areas both before and after accession"; notes the Court of Auditors' finding that "in most areas of pre-accession assistance, the Commission has not yet assessed Croatia's capacity to be sufficient for it to authorise Croatia to implement the assistance without the Commission's ex ante checks" and that "despite recent progress made, procurement capacity and anti-corruption are two areas where there is a particular need to reinforce support to the Croatian authorities";
44. Is concerned, in view of some instances of lack of preparedness of administrations and institutions, and transition from accession to structural fund financing in previous accessions to the Union, how similar risks for Croatia could be avoided;
45. Is concerned that, in addition to the Court of Auditors' significant focus on aligning legislation, continuous monitoring will be needed and measures need to be put in place to address:
 - inadequate absorption levels on a number of recent programmes;
 - adequacy of external audit and internal control capacity;
 - stability of the procedures in programmes for funding;
 - transparency issues and the need to improve the awareness of stakeholders and the general public;
 - questions of efficiency, effectiveness and economy in use of funds, through performance evaluations;
46. Endorses the Court of Auditors' recommendations, and in particular invites the Commission and the Croatian authorities to work closely together so as to increase the priority given to building up procurement capacity by implementing plans for on- and

off-the-job training, to take greater steps to meet capacity-building needs at regional and local level, and to develop further the assessment of project effectiveness, as well as to build up a portfolio of mature projects to be able to fully absorb the increased post-accession funding available, and also to take action in relation to rural development programmes, and to strengthen anti-corruption measures;

47. Endorses the Court of Auditors' recommendation to the Commission to take into account the lessons learned from its pre-accession assistance to Croatia in its pre-accession assistance to other countries wherever applicable;
48. Welcomes the Commission's assessment in its Monitoring report on Croatia's accession preparations of 24 April 2012 stating that "Overall, Croatia's preparations for EU membership are on track. Croatia has reached a considerable degree of alignment with the *acquis*. Further progress has been achieved since the 2011 progress report and the last update of the monitoring tables in autumn 2011. Nevertheless the Commission has identified a limited number of issues requiring further efforts"¹;
49. Notes that a number of outstanding issues still remain to be addressed in several of the *acquis* chapters; in particular, attention is to be paid to legislative alignment in secondary legislation concerning public procurement, especially in the field of defence procurement, and also to the proper implementation of the newly adopted legislation, especially at local level, also with a view to the future management of the Structural Funds;
50. Notes also that continued efforts are needed in the field of financial control in order to improve the overall functioning of the public internal financial control and external audit at central and local level, as well as in the field of financial and budgetary provisions, where it is necessary to continue building up capacity to coordinate the overall system of own resources efficiently after accession, and to step up modernisation of the customs control strategy focusing more on post-clearance controls;
51. Underlines that increased efforts are needed in some areas, in particular, agriculture and rural development, where attention must be given to further legislative alignment and strengthening of administrative capacity in the areas of direct payments and rural development;
52. Is concerned of the low absorption of Sapard and IPARD funding - some sectors were particularly under-represented in the implementation of Measure 1 (Investment in agricultural holdings), notably the milk sector, greenhouses sector and fruits and vegetable sector; considers that this points to serious weaknesses in the capacity and preparedness of these sectors to absorb future Union funds;
53. Notes the delays in the implementation of pre-accession assistance; welcomes the progress achieved in addressing the issue and urges the Commission and Croatia's authorities to continue improving the speed of implementing assistance, especially by strengthening capacity-building; stresses that capacity-building in the framework of pre-

¹ Communication from the Commission to the European Parliament and the Council of 24 April 2012: Monitoring report on Croatia's accession preparations, p. 12.

accession assistance should target central institutions as well as regional and local structures; is concerned that, in the case of Croatia, insufficient attention to the latter may result in them lacking adequate administrative capacity and experience to implement Union assistance;

54. Reiterates that the purpose of pre-accession assistance is, inter alia, to bolster the candidate states' capacity to absorb future Union funding in an efficient and transparent manner; welcomes, therefore, the new approaches used by the Commission in planning pre-accession assistance to Croatia, such as linking specific capacity-building projects to accession negotiations, allowing for multiannual operational programmes;
55. Calls on the Commission to maximise the potential for institutional learning and capacity-building in candidate and potential candidate states, notably by further aligning the procedures of pre-accession assistance with those used under the Structural Fund, the European Social Fund, and the European Agricultural Fund for Rural Development;
56. Also notes that, with regard to regional policy and coordination of structural instruments, further sustained efforts need to focus on effectively implementing the plans to increase administrative capacity for future cohesion policy implementation and to develop a mature project pipeline;
57. Invites the Croatian authorities to take measures addressing the abovementioned concerns, and calls on the Commission to report on Croatia's progress in tackling these and other outstanding issues;
58. Commends the progress made by Croatia in reinforcing its institutional and administrative capacity and consolidating the management of pre-accession assistance;
59. Welcomes the establishment of the Croatian Ministry of Regional Development and EU Funds in December 2011 and the fact that the Minister of Regional Development and EU Funds has also been appointed to serve as a Deputy Prime Minister, which shows the commitment of the new government to the issues of regional development and utilisation of the Union funds;
60. Notes that Croatia has put considerable effort into the establishment of a sound financial management and control system, which should result in the expected waiver of ex ante controls in the second half of 2012; stresses, however, that further sustained action is needed, given that, in most areas, the Commission has not yet authorised Croatia to implement pre-accession assistance without ex ante checks;
61. Welcomes the fact that as of January 2012, the new Act on Public Procurement has entered into force, ensuring increased transparency, and that 2011 saw the realisation of the IPA 2008 Twinning Light facility project "Strengthening Capacities to Remedy Irregularities in Public Procurement Procedures", which included inter alia efforts with regard to awareness-raising;
62. Urges the Commission and the Croatian authorities to prioritise the build-up of robust public procurement capacities; emphasises, in this context, that the fight against corruption plays a central role in the entire accession process, and failure to implement

preventive anti-corruption measures will impede the future absorption of Union assistance;

Part IV - Special Report No 16/2011 of the Court of Auditors entitled "EU Financial assistance for the decommissioning of nuclear plants in Bulgaria, Lithuania and Slovakia: Achievements and Future Challenges"

63. Stresses that decommissioning will be an increasingly important issue in the coming years because one third of the 133 nuclear reactors operating in 14 Member States are to be shut down by 2025¹;
64. Calls on its Committee on Budgets and on the Committee on Industry, Research and Energy to take into consideration the findings of the Committee on Budgetary Control for the negotiations of the new Multiannual Financial Framework (2014-2020);

The findings of the Court of Auditors

65. Considers that the Court of Auditors' findings can be summarised as follows:
- "(a) As a result of a relatively loose policy framework, the programmes do not benefit from a comprehensive needs assessment, prioritisation, the setting of specific objectives and results to be achieved. Responsibilities are diffused, in particular with regard to monitoring and the achievement of programme objectives as a whole. The Commission's supervision focuses on the budgetary execution and project implementation.
 - (b) There is no comprehensive assessment concerning the progress of the decommissioning and mitigation process. Delays and cost overruns were noted for key infrastructure projects.
 - (c) Although the reactors were shut down between 2002 and 2009, the programmes have not yet triggered the required organisational changes to allow the operators to turn into effective decommissioning organisations.
 - (d) Currently available financial resources (including an EU contribution until 2013 worth 2,85 billion euro) will be insufficient and the funding shortfall is significant (around 2,5 billion euro)."²;
66. Notes, furthermore, that the funding scheme put forward by the Commission was not the subject of a comprehensive ex-ante evaluation;

Parliament's conclusions

67. Acknowledges that the situation described in the Court of Auditors' report refers to the period until the end of 2010 and that subsequently, the Commission has taken a number of initiatives;

¹ Cf. Communication from the Commission to the European Parliament and the Council of 12 December 2007: Second Report on the use of financial resources earmarked for the decommissioning of nuclear installations, spent fuel and radioactive waste (COM(2007)0794), p. 10.

² Special Report No 16/2011, p. 7.

68. Notes that the Union's overall objective in the nuclear field is to maximise nuclear safety;
69. Notes the Commission's opinion that it has put in place a procedural framework that sets specific objectives, defines roles and responsibilities and clearly defines the reporting and supervision requirements¹;
70. Notes the Commission's reply explaining that the needs assessment was part of the impact assessment (SEC(2011)1387) conducted in 2011; notes that the impact assessment covered progress achieved so far, remaining challenges and an overview of the funding situation;
71. Recalls that the Accession Treaties of Bulgaria and Slovakia establish the limits for providing Union financial assistance to 2009 and 2006 respectively;
72. Welcomes the proposal for a Council Regulation on Union support for the nuclear decommissioning assistance programme in Bulgaria, Lithuania and Slovakia (COM(2011)0783) that draws on extensive consultation with stakeholders, the Member States concerned - Bulgaria, Lithuania and Slovakia - and expert groups in decommissioning; welcomes the fact that the findings of Parliament's resolution of 5 April 2011² and the conclusion and recommendations from the Court of Auditors' decommissioning performance audit of 2011 were used as input;
73. Observes that experts called for a solid and complete detailed decommissioning plan as the basis for the implementation of further Union support, including full costing estimates up to the completion date for decommissioning; considers that a clear indication of national co-financing and the way to secure this national funding in the long term should be provided;
74. Notes with satisfaction that the key milestones, as defined in the Commission's abovementioned impact assessment³, were explicitly supported by stakeholders, as well as targeting Union support on the accomplishment of concrete milestones with the highest Union added value; notes that compliance procedures and close cost monitoring should be considered from the outset;
75. Reiterates and stresses mutual commitments taken by the Union and Bulgaria, Slovakia and Lithuania with regard to decommissioning of, respectively, four units of Kozloduy Nuclear Power Plant, Unit 1 and Unit 2 of Bohunice V1 Nuclear Power Plant and Units 1 and 2 of the Ignalina Nuclear Power Plant;
76. Deplores the fact that in the case of Ignalina nuclear power plant, highly relevant projects such as B1 and B234 have encountered serious delays due to technical and

¹ Cf. Report from the Commission to the European Parliament and the Council of 13 July 2011: On the use of financial resources during 2004-2009 provided to Lithuania, Slovakia and Bulgaria to support the decommissioning of early shut-down nuclear power-plants under the Acts of Accession (COM(2011)0432).

² European Parliament resolution of 5 April 2011 on the efficiency and effectiveness of EU funding in the area of decommissioning nuclear power plants in the new Member States (OJ C 296 E, 2.10.2012, p. 19).

³ SEC(2011)1387, p. 34, see annex 1.

commercial disputes, which have generated extensive economical damage, as well as discontinuity in the decommissioning process;

77. Believes the roadmap with agreed technical solutions decided upon in July 2012 by Ignalina nuclear power plant and NUKEM/GNS to be an important step forward in the process of overcoming the stalemate related to the B1 interim spent fuel storage facility;
78. Deplores the fact that the detailed progress report on the implementation of the roadmap, expected on 5 October 2012, has not met the deadline;
79. Welcomes the progress achieved on some of the issues covered by the roadmap, such as the validation of casks and enhancement measures related to the cranes;
80. Remains concerned, however, that outstanding issues such as the shock absorbers problem and the handling of leaking and damaged fuel have not yet been agreed upon, and therefore hinder the swift implementation of the above-mentioned roadmap;
81. Urges both parties involved to conclude a swift and timely agreement on all remaining issues;
82. Supports the findings of the fact-finding mission of the Committee on Budgetary Control to Lithuania on 10 to 12 July 2012 and in that respect, believes that the Union's financial assistance should be suspended until a settlement is reached in the case of the B1 and B234 projects;
83. Supports the Commission's proposal on allocating an additional EUR 230 million for the Ignalina nuclear power plant for the 2014 to 2017 period; reiterates that money should only be allocated if the ex-ante conditionalities as set out in the aforementioned proposal for a Council regulation have been fulfilled; believes that financial assistance from the Union should be concluded after that date;
84. Insists that the decommissioning activity should be planned in a safe and efficient way that would enable a swift release of the decommissioning licence, according to the timetables set in the respective decommissioning plans;
85. Calls on the Commission to send Parliament an estimate of the funding required for the irreversible and complete dismantling of the three nuclear power plants;
86. Recalls that only national nuclear regulatory authorities can issue decommissioning licences to legal persons in strict compliance with the corresponding national legislation;
87. Calls on the Government of Lithuania to establish an independent project management team for projects B1 and B234; notes that the independent management of projects implemented by the Ignalina nuclear power plant should also be established, as proposed by the Lithuanian National Audit Office;
88. Requests that a clear, unequivocal deadline for acquiring the decommissioning licences be set, if not yet done;

89. Notes with concern that there are delays in building and completing interim facilities to store used fuel and unless such facilities are available, nuclear fuel rods cannot be removed; notes that as regards the Ignalina power plant, the removal and safe interim storage of nuclear rods from Unit 2 must be a priority;
90. Requests that disagreements on the interpretation of treaties, the awarding of contracts and the ongoing technical and commercial disputes between the Ignalina nuclear power plant and the main contractor for the two projects be submitted to an arbitration procedure; notes that any additional Union financial assistance should be suspended until the dispute is settled; calls on the Commission to report annually to Parliament on the state of play;
91. Is deeply concerned that the Court of Auditors estimated the financial shortfall for the completion of the decommissioning projects at EUR 2 500 million; thus creating a considerable funding gap;
92. Calls on the Commission to cooperate with the governments of Bulgaria, Lithuania and Slovakia and to maximise progress in the decommissioning of nuclear power stations by making available sufficient funding by 2017 or, where appropriate, by 2020; calls on the Commission, furthermore, to set ambitious implementation targets and monitor progress towards those targets; takes the view that penalties must be applied in the case of failure to meet those targets; calls for an annual report on the progress made to be submitted to Parliament;
93. Notes that since the decommissioning of nuclear power stations in Lithuania, Slovakia and Bulgaria began, the responsibility and obligations of the participating Member States in the decommissioning process has not been clearly defined; notes that the burden arising from responsibility for the whole decommissioning process which close their nuclear power stations has been disproportionate on Member States;
94. Welcomes the fact that the abovementioned proposal for a Council regulation (COM(2011)0783) not only sets general objectives but also sets specific, measurable, attainable, relevant and timed objectives for the three Member States; notes that further objectives and performance indicators will be defined on the project level, in the implementing measures and the annual work programmes;
95. Takes the view that in the proposal for a Council regulation, the legal basis for the granting of additional funding to the Ignalina programme should be Protocol No 4 of the Act of Accession and not Article 203 of the Treaty establishing the European Atomic Energy Community ;
96. Welcomes the fact that no later than the end of 2015, an evaluation report shall be established by the Commission on the achievement of the objectives of all the measures, at the level of results and impacts, the efficient use of resources and its Union added value, in view of a decision amending or suspending the measures; asks the Commission to provide it with a copy of the evaluation report;
97. Calls on the European Bank for Reconstruction and Development (EBRD) to make its reports on project implementation in Bulgaria, Lithuania and Slovakia available to

Parliament;

98. Asks the Commission and the Court of Auditors to assess the added-value of the cooperation with the EBRD, and its capacity to act as administrator of funds, given that the Union supplies 96 % of funding;
99. Calls on the Commission to draw up a report on the decommissioning processes in those three countries; calls on the Commission to also draw up a report on the decommissioning of the nuclear power plant in Greifswald, with a view to establishing technical and organisational best practice, thereby creating a reference base for future decommissioning projects;

Part V - Special Report No 1/ 2012 of the Court of Auditors entitled "Effectiveness of European Union development aid for food security in sub-Saharan Africa"

100. Welcomes the Court of Auditors' report and its overall conclusion that Union development aid for food security in sub-Saharan Africa is, for the most part, effective and that it makes an important contribution towards achieving food security in partner countries which do not yet have a sustainable and secure agricultural sector; notes, however, that according to the Court of Auditors, there is scope for significant improvement in a number of areas;
101. Notes with satisfaction the Court of Auditors' finding that where food security is part of the European Development Fund (EDF) strategy, Union development aid is highly relevant to the needs and priorities of sub-Saharan Africa and that the Commission focused Union development aid on countries with the highest number of undernourished people;
102. Agrees with the Court of Auditors that a greater focus on food security is necessary in the Union's development assistance;
103. Deplores that for the tenth EDF, food security, agriculture and rural development have been selected for fewer partner countries as a focal sector than for the ninth EDF and that several food-insecure countries have received little or no Union development aid in this area; agrees with the Court of Auditors that this is inconsistent with the critical situation as regards Millennium Development Goal 1: Eradicate extreme poverty and hunger and the increased priority that the EDF was expected to give to food security; calls on the Commission and Member States to give more attention to this area when drawing up the EDF country strategy papers and to allocate more funding for this purpose;
104. Supports the Court of Auditors' recommendation for a structured assessment of the food security situation in each country and a systematic consideration of the potential scope for relevant Union support by the European External Action Service (EEAS) and the Commission's programming of Union development aid; calls on the Commission's Directorate-General for Development and Cooperation – EuropeAid to ensure the incorporation of data and analyses by the field offices of the Directorate-General for Humanitarian Aid and Civil Protection and from other sources and to help ensure that effective early warning systems for food insecurity are in place; also calls on the EEAS to help ensure that corresponding government capacity is built to run those systems in a sustainable manner, and that prevention strategies are implemented, fostering the resilience of the most vulnerable;
105. Notes that after the 2008 food crisis, which severely affected many sub-Saharan African countries, food prices have gradually returned to previous levels and that volatility and speculation is likely to continue; calls on the Commission to elaborate upon response strategies for different contingencies, making any relevant proposals; calls on the Commission to also take note of the fact that gradually rising food prices is part of a marked, long-term upward trend, rather than a short-term issue and consequently, it

requires a long-term holistic strategy, directly linked to broader development goals; calls for the inclusion of a new Food Facility or a comparable mechanism in the multi-annual financial framework for the years 2014 to 2020 to ensure the Union's ability to respond swiftly to new food crises using similar funds, given the unpredictability of new food crises and the increased volatility of food prices; believes that financial speculation exacerbates food price volatility and that it is, therefore, also necessary to take effective action against such speculation, including the regulation and control of derivative markets;

106. Deplores the fact that, despite strong economic growth, one quarter of the population of sub-Saharan Africa still suffers from malnutrition; points out that the region has the technology, the knowledge and the natural resources to change this; stresses that peace, democracy and political stability is essential since access to land and markets, property rights and education will allow for the increased influence and accountability of governments and of public authorities;
107. Notes the shortcomings highlighted by the Court of Auditors in the coordination of the use of resources allocated under the EDF and the 'food security' budget line for the period 1996 to 2006; calls on the Commission to harmonise the objectives of the two instruments, with a view to ensuring that they complement one another and that the funds in question are used as effectively as possible;
108. Considers that the Commission should take systematic account of the food security situation and chronic food insecurity, in particular when implementing Union development policy;
109. Stresses the importance of strengthening the link between relief, rehabilitation and development in order to ensure the effectiveness of aid; reiterates the importance of allocating an appropriate share of Union overseas development assistance (ODA) to the agriculture sector; regrets that there has been a dramatic reduction in the level of development aid allocated to agriculture since the 1980s and calls on the Commission to prioritise agriculture in its development aid, including assistance to farmers in accessing markets; points out that development assistance is part of a larger scheme where trade, remittances and other sources of income are today more important than the total ODA payments for most developing countries, and that the common agricultural policy hinders a free and fair trade with emerging markets;
110. Stresses that the whole food chain, from farm to fork, must be addressed in order to enhance the resilience of the agricultural sector; believes that long-term political commitments by governments in sub-Saharan Africa are necessary to reduce the vulnerability of the agricultural sector; points out that temporary subsidies, in the form of seeds that withstand extreme weather conditions, can serve as an important safety net for small-scale farmers and families who would otherwise be severely affected; stresses the importance of early warnings and preventive work on sanitation, seed and feed for animals; deplores that violence and insecurity is an obstacle to a food secure future;
111. Stresses the need to refocus on food policy beyond food aid, inter-donor and donor-recipient cooperation with enhanced local partnership at European and global level, as well as the crucial role of partner countries in providing the basic requirements for any

significant progress in this sector, such as internal peace and investment in rural infrastructure; further stresses that long-term social and economic development requires sustainable sources of income other than aid; considers that free and fair trade relations between Europe and developing countries, in line with World Trade Organization principles, are key to strengthening food security and accelerating human development in sub-Saharan Africa;

112. Agrees with the Court of Auditors that a longer implementation period for the Food Facility (2008 to 2010) would have been more appropriate, given its objectives and the existing financing gap between the end of its programming period and the next EDF programming period (from 2014); stresses the importance of ensuring the continuity of aid given the continuous volatility and high level of commodity prices; stresses the need to seek, in close coordination with the World Food Programme, the Food and Agriculture Organization of the United Nations and the International Fund for Agricultural Development, complementarity and synergy between the Union food security programmes and programmes of those and other international donors;
113. Is deeply concerned at the Court of Auditors' finding that nutrition has been neglected and finds this worrying as malnutrition has extremely harmful consequences, in particular if it occurs during pregnancy or during the first two years of life, and may lead to irreversible damage; points out that malnutrition is an obstacle to human development, inflicting irreversible damage on individuals and imposing large economic and social losses on countries; welcomes the resolve of the Commission expressed in its Communication on an EU policy framework to assist developing countries in addressing food security challenges (COM(2010)0127) to integrate the nutritional dimension into Union programmes; reiterates its call on the Commission to draw up a specific communication on this dimension and to integrate sound and multi-sectoral nutrition strategies into its development policy; points out that one of the most crucial and cost-effective interventions is the empowerment of women, which is a far-reaching way to help households prioritise healthcare and child nutrition;
114. Notes the Court of Auditors' finding that Union interventions have generally been well designed and achieve most of their intended results, but regrets that the quality of objectives were variable and difficult to measure, due to the absence of performance indicators, and the sustainability of results were questionable in half of the audited interventions; calls on the Commission to set more realistic and measurable objectives for the interventions and to improve their definition in the general budget support programmes, where special attention should be given to encouraging entrepreneurship among the growing young population and addressing the discrimination against women in the agricultural sector;
115. Remains convinced of the importance of scaling up the nutritional aspect of development aid for food security and requests the Commission to provide a written report on its progress on this by the spring of 2013;
116. Notes that the overall impact of Union action on food security is also determined by the Union's policies on agriculture, fisheries, energy and trade; stresses the need to ensure policy coherence for development, in accordance with Article 208 of the Treaty on the

Functioning of the European Union, and that those policies should embody and comply with the "do no harm" principle;

117. Agrees with the Court of Auditors that the Commission should strive to better support the financial sustainability of agriculture and social transfer programmes;

Part VI - Special Report No 2/2012 of the Court of Auditors entitled "Financial instruments for SMEs co-financed by the European Regional Development Fund"

118. Welcomes Special Report No 2/2012 that focuses on the financial engineering measures co-financed by the European Regional Development Fund (ERDF) during the 2000-2006 and the 2007-2013 programming periods; acknowledges that Special Report No 2/2012 informs on the efficiency and effectiveness of the financial engineering measures co-financed by the ERDF and is based on an audit sample of projects in the United Kingdom, Germany, Slovakia, Hungary and Portugal;
119. Is of the opinion that such an audit report would be of great value also at the end of the 2007 - 2013 programming period, enabling further conclusions regarding performance of financial instruments (FIs) for small and medium-sized enterprises (SMEs) co-financed by the ERDF; considers also that the drafting of such a report at the end of that period will make it possible to avoid repeating errors, while at the same time increasing the effectiveness and efficiency of future financial engineering measures co-funded by the ERDF;
120. Stresses that SMEs are the backbone of the Union's economy, generating employment, innovation and wealth; notes, however, that SMEs may suffer from financing gaps, in that they cannot obtain access to the type and the amount of finance they need at a given time;
121. Recognises that at the time of fiscal constraint and reduced lending capacity of the private sector, SMEs and in particular micro-enterprises have been the most affected and should accordingly be targeted with strengthened Union support to continue generating employment, innovation and growth; notes that particular attention must be given to SMEs generating sustainable development at local level and that cohesion policy, as the major investment instrument for convergence and sustainable development of the whole Union, is one of the two main Union support channels for SMEs; stresses, therefore, that the use of FIs in cohesion policy in relation to the SMEs should be reinforced in the future as it can guarantee revolving funds, foster public-private partnerships and achieve a multiplier effect with the Union budget;
122. Recalls that to support entrepreneurship, the Union implements its enterprise policy and its cohesion policy mainly using grants but progressively more through FIs in the ERDF framework; notes that the FIs are repayable and revolving thereby ensuring that successive waves of SMEs can benefit;
123. Recognises that the implementation of access to finance programmes requires the active involvement of financial intermediaries, which transform public funds into FIs for SMEs; notes that additional funds provided by the private sector may be added to the public funding, increasing the total amount available for investments in SMEs; notes that this action is commonly defined as the leverage effect or the multiplier effect;
124. Stresses that lack of access to finance has led to a fall in the number of start-ups, which means that the role of FIs co-funded by the ERDF in stimulating entrepreneurship is

assuming ever increasing importance;

125. Recalls that the Court of Auditors' audit focused on the financial engineering measures co-financed by the ERDF during the 2000-2006 and the 2007-2013 programming periods and that the audit findings are based on a direct review of a sample of projects and on an examination of the Commission and Member States' management, monitoring and information systems;
126. Notes that the Court of Auditors focused its audit in three main types of FIs: equity, loan and guarantee instruments; notes that they are all eligible instruments for ERDF co-financing, but must comply with Union and national eligibility rules; reiterates that the main objective of the audit was to assess whether ERDF spending on financial engineering measures for SMEs had been effective and efficient;
127. Welcomes the Court of Auditors' findings and recommendations regarding financing gap assessment; notices that in the legislative proposal¹ for the next programming period such assessment is made obligatory in the form of an ex ante assessment; calls on the Commission to introduce relevant requirements, including quantified benchmarks, regarding the role and application of the ex ante assessment into the relevant regulation as part of the basic act; considers that the issue of revolving provisions should also be tackled in the legislative proposal for the next programming period;
128. Notes that Structural Funds regulations allow establishing a preference for the private sector compared to the public; invites the Commission to find appropriate justification for this privileged position, inasmuch as this treatment could limit the ability to repossess the excess funds and the possibility to allocate them to other SMEs;
129. Is concerned that the Court of Auditors found that the effectiveness and efficiency of measures were hampered by the following important shortcomings:
- the SME financing gap assessments, if available, suffered from significant shortcomings and such gap assessments were not systematically made public;
 - the Structural Funds regulations, originally designed for grants, contain important weaknesses, as they do not address the specificities of FIs;
 - before funds reach SMEs, delays were significant and, compared with other Union programmes for SMEs, the ERDF's ability to leverage in private investments was poor;
130. Recalls also that, in its opinion on innovative financial instruments in the context of the next Multiannual Financial Framework², Parliament's Committee on Regional Development called for guaranteeing immediate clarity, simplicity and transparency of

¹ Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006 (COM(2011)0615/2).

² Opinion annexed to the report A7-0270/2012.

the FI legal framework and coherent legal reference to definitions of FIs;

131. Notes with concern that the previous annual implementation reports, monitoring committees and operational program indicators have been considered as inadequate or inappropriate to the targets and purposes of FIs; welcomes the developments in the reporting and monitoring activity registered with JEREMIE;
132. Regrets that at the level of the holding funds, the Court of Auditors did not come across significant leverage from the private sector for both the 2000-2006 and 2007-2013 programming periods; is surprised that there are typically no explicit leverage requirements in the funding agreements between the Managing Authorities and the financial intermediaries, except for certain equity funds, which had binding leverage requirements for private co-investors;
133. Supports the Court of Auditors' call for clearer definition of the concept of leverage in FIs; stresses, nonetheless, that in the light of the pressure to deliver higher leverage, it is important to recall that FIs in cohesion policy are generally financing projects in less developed regions and regions with economic difficulties, with the aim of improving situations of market failure and sub-optimal investment, thus FIs in cohesion policy do not only focus on short-term profitability but also on high socio-economic benefits, especially at regional and local level; points at multi-level governance and shared management in design and delivery of the programmes as the fundamental concepts behind cohesion policy that enable regional and national authorities to partake in planning and implementation of programmes; stresses, therefore, that the legislative framework needs to maintain a certain level of flexibility also when it comes to definitions and requirements of leverage effect;
134. Recognises the potential of innovative financial engineering instruments to build up capital and enhance investments, as opposed to grants consistently perceived to be excessively cumbersome and bureaucratic by their beneficiaries; stresses that financial engineering instruments could play an important role in achieving the Europe 2020 Strategy's objectives by attracting funding from other investors in areas of strong Union's interest;
135. Further notes that for equity and loan instruments, the Court of Auditors found that the leverage achieved has not been significant and lower than comparator benchmarks; notes with satisfaction that for guarantee instruments, in contrast, leverage was higher;
136. Calls on the Commission to take action, without delay, regarding the findings of the Court of Auditors; considers particularly important that, in the future, the ERDF's ability to leverage in private investments that match public contributions is increased;
137. Is concerned at the widespread delays in Member States in SMEs obtaining access to finance; calls on the Commission and Managing Authorities to avoid delays in delivering SME access to finance mainly with origin in administrative, legal, organisational or strategic reasons; regrets that for Managing Authorities this entails that the alternative, using grants for SMEs, becomes more attractive;

138. Urges the Commission to submit an integrated, clarifying proposal as soon as possible on the problems caused by the current range of definitions of SMEs, which vary in the Union according to the different purposes or objectives, and to propose possible ways of remedying the situation;
139. Deplores that, in some cases, information on management costs borne by the SMEs was not available or was not reliable; invites the competent authorities to improve the current situation and to provide for the future all the relevant information; recognises that a distinction should be made in relation to costs of the financial engineering instruments (management cost of the JEREMIE holding fund and management cost of financial intermediaries) and the cost to SMEs;
140. Deplores that, in a number of cases, financial intermediaries appointed by the respective Managing Authorities charged individual SMEs for the refinancing and processing costs; stresses that refinancing and processing costs should be items of ordinary operating expenditures for financial intermediaries;
141. Stresses the importance of simplifying administrative procedures as regards access to financing and of reducing co-financing requirements;
142. Is concerned by the fact that Commission guidance does not set the terms and conditions which would prevent SMEs being charged costs that are not based on actual SME risk taken or service provided by the financial intermediaries;
143. Recommends that in view of the combined complexity of FIs, shared management and the State aid and Structural Funds rules, the Commission should improve the communication and monitoring systems between the Commission, the Managing Authorities and the beneficiaries (the financial intermediaries) and provide for, given the new provisions of the 2007-2013 regulatory framework, better guidance and advice;
144. Endorses the Court of Auditors' recommendation that the Commission should provide a reliable and technically robust monitoring and evaluation system specific to FIs; invites the Commission to also follow the Court of Auditors' recommendation regarding agreement with Member States on a small number of measurable, relevant, specific and uniform result indicators for FIs, which would strengthen both monitoring and auditing processes;
145. Notes that the territorial fragmentation and insufficient critical mass have impact on the attractiveness of the FIs and impose certain financial conditions and possible relatively high management cost; notes that those characteristics of the ERDF hampered the sound financial management of the FIs throughout the different programming periods underpinning ERDF support to SMEs;
146. Regrets that, during the operational programme funding allocation process, public authorities typically not acquainted with SME financing, allocated public contributions to funds in such a fashion that their size often reached below critical mass; insists that different thematic operational programmes with multiple economic, environmental, social and territorial objectives were at the origin of this situation;

147. Is of the opinion that when proposing financial engineering measures, the Managing Authorities should make sure that their proposal is duly justified by an SME gap assessment of high quality, based on a standardized and commonly agreed methodology; supports that before approving the operational programmes, including financial engineering measures, the Commission should verify their consistency with the SME gap assessment and ensure the quality of the latter;
148. Is worried about the lack of information in the Member States on access for SMEs to sources of finance; supports the recommendation by the Court of Auditors that, in order to optimise the size of the supply of SME finance, it is necessary to raise as much as possible the stakeholders' awareness of the specific SME financing needs;
149. Is of the opinion that the multiplier effect should illustrate the extent to which private funding has been attracted by both the Union's and Member States' initial financial contributions; considers that Member States' co-financing of FIs should be seen, together with the Union contribution, as a part of public funding;
150. Believes that matters to be covered by delegated acts, which are meant to cover non-essential elements of Union legislation, should not deal in reality with key elements of the future Cohesion scheme¹;
151. Strongly recommends that the Council and the Commission, when designing proposals for the Structural Funds regulations, should provide for a more adequate regulatory framework so that the design and the implementation of financial engineering measures do not suffer from the deficiencies of the Structural Funds' regulatory framework, geographical constraints and scattering effects; asks that lessons learnt from the current programming period be reflected when designing the proposals for the Structural Funds regulation; considers in particular that proposals should be oriented towards performance and results rather than mere compliance;
152. Endorses that the Commission should provide a reliable and technically robust monitoring and evaluation system specific to FIs including that FIs should be segregated from pure grants in the Commission's monitoring, reporting and auditing processes and the amount of money actually paid to the SMEs should be transparent; encourages the Commission and the Member States, in particular, to agree on a small number of measurable, relevant, specific and uniform result indicators for FIs;
153. Shares the opinion that the Commission should explore the possibility of supplying to the Member States off-the-shelf financial engineering structures and instruments for SMEs (e.g. grants with royalties, dedicated investment vehicles) only where these would result in speeding up implementation and in reducing management costs, though in such a way that this precondition does not excessively impair SMEs' opportunities of making use of those funding schemes; stresses the importance of ensuring that financial engineering continues to remain flexible in order to adapt to both regional disparities

¹ Such as the adoption of a Common Strategic Framework; the adoption of detailed rules on FIs; the responsibilities of Member States concerning the procedure for reporting irregularities and recovery of sums unduly paid; the conditions of national audits; the accreditation criteria for managing authorities and certifying authorities.

and market changes;

154. Notes that Member States, with the support of the Commission, should aim at the inclusion of all ERDF co-financed FIs for SMEs into a single operational programme per Member State, or into a single priority axis in the national operational programme within a Member State, with the aim to rationalise the planning process and remove one of the key delaying factors found;
155. Takes the view that the Commission should propose a common definition of multiplier effect, standard concepts of recycling in the Structural Funds regulations, depending on the type of holding fund or fund as well as require contractually binding minimum leverage ratios and minimum revolving periods and data for the calculation of leverage indicators; considers that the concept of added value should be regarded as a relevant component in the calculation of leverage ratios in order to achieve relevant policy objectives as well as take market conditions into account; considers that to this end it would be advisable to articulate the concept of European added value in the legal framework for the 2014-2020 period;
156. Asks the Council and the Commission to consider alternative ways of pursuing SME support through financial engineering instruments if the cohesion policy framework were to be considered unsuitable; notes that such instruments should either be supported by programmes centrally managed by the Commission, dedicated investment vehicles in cooperation with the Commission and the Member States or by the Member States directly;
157. Recalls that the above-mentioned opinion of the Committee on Regional Development on innovative FIs in the context of the next MFF welcomed the application of FIs being extended under cohesion policy to all thematic objectives and all common strategic framework funds in the next programming period;

Part VII - Special Report No 3/2012 of the Court of Auditors entitled "Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?"

158. Welcomes the Court of Auditors' Special Report No 3/2012; endorses all recommendations made by the Court and calls on the Commission to implement them effectively and as soon as possible;
159. Is pleased that the Commission systematically initiated corrective actions and that the actions requested were an appropriate response for the deficiencies in 90 % of cases (point 27);
160. Notes that around 75 % of the requests based on annual reports as referred to in Article 13 of Commission Regulation (EC) 438/2001¹ were not followed by financial corrections; calls on the Commission, therefore, to provide information on the reasons for the absence of financial corrections in this context;
161. Is concerned about the Commission's different requirements in the 2000-2006 programming period with regard to the implementation of first-level checks as this can potentially result in the non-detection of irregular expenses; asks the Commission to apply a coherent approach to demands for first-level checks and to provide information for the programming periods after 2000-2006; notes that the legal basis for the 2007-2013 period requires managing authorities to verify administratively all applications for reimbursements by beneficiaries in accordance with Article 13(2) of Commission Regulation (EC) No 1828/2006²;
162. Asks the Commission to disseminate even more extensively elaborated checklists and best practice manuals (with special focus on eligibility rules) to be followed by the Member States and to strengthen its supervision on how these elements are taken into account;
163. Believes the first-level checks to be of utmost importance in ensuring a robust error rate from the onset of the implementation process; believes therefore, that the management authority should either be accredited by the Commission or the Commission should assist and supervise the management authority in exercising the aforementioned first-level checks;
164. Is concerned, however, in particular about the following observations:

¹ Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds (OJ L 63, 3.3.2001, p. 21).

² Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (OJ L 371, 27.12.2006, p. 1).

- corrective actions took 30 months on average (point 32) and delays were mainly attributable to the Member States concerned although the Commission was partially responsible for 39 % of cases and fully responsible for 5 % of cases (point 35),
 - in only 67 % of cases the Commission obtained a high degree of assurance that financial corrections were accurate (point 55),
 - in only 28 % of cases the Commission obtained a high degree of assurance that the Member States' management and control systems improved following corrective actions (point 64), which means that considerable effort will need to be undertaken in the closure process;
165. Is furthermore concerned about the Court of Auditors' finding that Commission's follow-up audits aiming to scrutinise the reliability of Member States' statements required further corrective actions by the Member States in 78 % of cases (point 45); is therefore worried that the Commission sometimes relied on potentially unreliable information by not sufficiently questioning information submitted by Member States (for example point 57, boxes 9 and 12) and that the Commission did not adequately scrutinise the reliability of the information; points out that the lack of reliability of Member States' statements requires further audit resources by the Commission; acknowledges also the need to balance appropriately cost and benefits of such follow-up audits (point 46);
166. Believes that a substantially higher degree of efficiency can stem from reinforcing the role of the Commission in ex-ante checks, rather than in ex-post checks;
167. Reminds the Commission that the error rate in the policy area Cohesion has increased, according to the Court of Auditors' Annual Report 2010, which reverses the positive trend observed in previous years and is contrary to an accelerated reduction of error rates, as called for by Parliament in the context of the 2008 discharge¹;
168. Reiterates the importance of the supervisory role the Commission exercises in order to be able to bear the ultimate responsibility for the implementation of the budget including the areas of shared management; recalls the action plan to strengthen the Commission's supervisory role under shared management of structural actions (COM(2008)0097) and the improved legal framework for the 2007-2013 programming period which aimed at reducing the level of error in structural actions and thus to protect the EU budget; notes, however, that the action plan of 2008 came only into force at the end of the programming period 2000-2006 and could therefore cover the closure process of that period only; calls on the Commission therefore to fully enforce measures as stated in the action plan for the 2007-2013 programming period and beyond; expects in this context from the Commission a considerable and steady decrease in error rates, in particular of programmes that are expected to have the highest error rates; proposes that

¹ See par. 4 of the Resolution of the European Parliament of 5 May 2010 with observations forming an integral part of its Decisions on discharge in respect of the implementation of the European Union general budget for the financial year 2008, Section III - Commission and executive agencies (OJ L 252, 25.9.2010, p. 39).

the Court of Auditors carry out a regular assessment of the technical and ethical quality of national audit authorities, with particular regard to their independence, and that it report its findings and conclusions to Parliament and the Council;

169. Emphasises that speed is of the essence in the process of controls to ensure that the financial interests of Union taxpayers are protected; calls on the Commission to prioritise the earliest possible scrutiny, assessment and follow-up action in its future management oversight of these funds;
170. Believes that improving the Commission's supervisory role is an ongoing process; underlines in this context the Court of Auditors' remark that although management and control systems were effective at a certain time this does not necessarily mean that they continue to be effective, as systems, personnel and entities in charge of management of structural actions may change; calls on the Commission to endorse fully the Court of Auditors' recommendations; considers enhancements of the action plan to be necessary if the expectations with regard to the improvement of the Commission's financial management are not met;
171. Asks the Commission to make efforts to ensure that Member States do not affect the continuity of programmes by changing entities, systems and personnel responsible for Structural Funds control, that had already been certified as effective by the Commission;
172. Notes with satisfaction the high number of preventive actions including financial corrections enforced by the Commission following the adoption of the action plan in 2008; asks the Commission therefore to provide information on the impact of those corrections on the overall error rate for the 2000-2006 programming period;
173. Reiterates the idea of a 'single audit' that was pronounced by the Court of Auditors in its Opinion No 2/2004; believes that in an effective and efficient internal control system common principles and standards should be the basis for the administration at all levels¹;
174. Is convinced that the Commission should continue to aim at implementing the single audit principle; emphasises that it is of utmost importance to ensure the quality of the work of audit authorities in the current and upcoming periods and to ensure that their independence is guaranteed and that to achieve this end it is essential to establish clear and transparent common standards for these audits; notes that - provided that the audit authorities produce reliable results - the Union budget could be adequately protected even if high error rates are present as the Commission could apply financial corrections to counter those error rates; reiterates, however, the fact that in such cases the national taxpayer has to pay twice which is why preventing errors from happening is always more efficient than correcting it later on, for both the Commission and the Member States concerned; stresses in this context specifically indent 2 of the Court of Auditors'

¹ See paragraph 61 of the resolution of the European Parliament of 10 May 2011 with observations forming an integral part of its Decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2009, Section III - Commission and executive agencies (OJ L 250, 27.9.2011, p. 33).

recommendation 1 and urges the Commission to implement this recommendation;

175. Calls on the Commission to finalise the closure of the 2000-2006 programming period duly taking into account the Court of Auditors' observations and to report to Parliament on how the Commission will ensure legality and regularity in the process;
176. Calls on the Commission, furthermore, to take into account the lessons learned from the Court of Auditor's report and to monitor the implementation of structural actions for the 2007-2013 period and to bear in mind the Court of Auditors' observations in the discussions on the future structural actions for the period 2014-2020;
177. Believes strongly that the Commission should deepen its involvement in the Structural Funds scrutiny process by further assisting and supervising Member States' management and certifying authorities as well as the winding-up bodies, throughout all phases of implementation and verification, in order to ensure an even more efficient and less time and resource consuming process;

Part VIII - Special Report No 4/2012 of the Court of Auditors entitled "Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment?"

Introduction

178. Welcomes the Court of Auditors' report and notes its deprecatory appraisal of the performance of both the Commission and the Member States with regard to the effectiveness and cost-efficiency of fund spending in the field of co-financed seaport projects;
179. Welcomes the Commission's endorsement of the majority of the Court of Auditors' recommendations;
180. Considers the majority of actions undertaken by the Commission in order to prevent future shortcomings of the sort revealed by the report to be capable of achieving the goal of more effective and more cost-efficient spending;
181. Considers, however, that further action by the Commission is necessary;

Findings

182. Is concerned about the fact that
- out of 27 projects examined four were not completed by the time the report was concluded, with two projects still unfinished by January 2012;
 - administrative procedures for the delivery of building authorisations and permits were often long and burdensome and in some cases caused delays and additional expenditure;
 - two projects had objectives that were in line with neither transport policy nor the description in the operational programme under which they had been funded;
183. Notes that
- by the time the report was concluded, four projects were not in use despite completion, but are in use now;
 - none of the regions had a long-term port development plan; however, such plans were not a condition of funding;
184. Agrees with the Commission that the results and impact of investment in transport infrastructure is not always tangible immediately after construction work has been finished, since they take some time to materialise;
185. Concludes that
- the Commission does not receive enough information on the progress of projects,

since the information available did not lead to action to remedy the projects' weaknesses;

- the guidance notes and training seminars provided by the Commission were not in themselves enough to raise awareness of the principles of sound financial management sufficiently;
- the legal provisions outlining the Commission's advisory role in monitoring committees may be too limiting, and its 'other tools' intended to influence effective spending may be ineffective, since the Court of Auditors found there was little evidence of the Commission having intervened with the committees in order to ensure effective spending or to set result and impact indicators;
- since marinas provide access only to a minority of the population, they cannot be considered an improvement to the accessibility of islands, and therefore their construction is not in line with transport policy, with the exception of those cases where small vessels are commonly used as a means of regular transport between islands and the construction of a marina would provide improved connectivity for the population as a whole;
- dry-dock facilities for special constructions are not in line with the objectives of the TEN-T guidelines even if they can be used for maintenance, since they do not fulfil any of the 'Specifications for projects of common interest relating to the seaport network' as defined under Section 5(2)(III) of Annex II of Decision No 1692/96/EC of the European Parliament and of the Council¹, as amended by Decision No 1346/2001/EC of the European Parliament and the Council²;

Recommendations of the Court of Auditors

186. Endorses the Court of Auditors' recommendations that the Commission should

- work towards making the existence of a comprehensive long-term port development strategy a condition of cohesion policy aid for seaport infrastructures;
- carry out on-the-spot visits on effectiveness issues during construction,
- carry out *ex post* checks on the use and performance of co-financed infrastructures on a risk basis;
- strengthen the assessment procedure for major projects and Cohesion Fund projects in order to improve the detection of serious weaknesses and the taking of appropriate action to remedy them;
- work towards the introduction of the principle that Union funding is conditional upon results;

¹ OJ L 228, 9.9.1996, p. 1.

² OJ L 185, 6.7.2001, p. 1.

- encourage the use of result and impact indicators by the managing authorities;

187. Acknowledges favourably that the Commission has

- proposed an ex ante conditionality to ensure the existence of long-term strategic planning prior to any funding decision for the 2014–2020 cohesion policy framework,
- introduced on-the-spot project visits and organised technical meetings with the relevant authorities;
- started implementing closure audits for projects co-financed by the ERDF and the Cohesion Fund during the 2000-2006 programming period, selected on a risk basis;
- strengthened the decision-making procedure in the 2007-2012 period by introducing standardisation of the decision-making procedure for major projects, standardised application forms, and compulsory consultation of the relevant departments in the Commission, and by establishing the JASPERS initiative (Joint Assistance to Support Projects in European Regions), which should enable Member States to submit better applications;
- developed a performance audit framework which is intended to form the basis for a first set of targeted audits to be carried out from 2012 on, and called for a performance framework in its proposal for the 2014-2020 cohesion policy framework, which would include the Commission's right to suspend payments in cases where the shortfall from achievement of set milestones or targets is significant;

Further recommendations

188. Calls on the Commission to

- fully endorse the Court of Auditors' recommendations to use result and impact indicators not only at priority level, but – with a scope appropriate to the possible impact of a single project – also at project level;
- introduce an arrangement whereby assessment of the results and impact of investment in transport infrastructure is carried out after completion of the construction work, at a time when its results and impact can be expected to have become apparent;
- carry out an analysis comparing the average completion time and the quality of administrative procedures across the Member States in cases of comparable co-funded projects, in order to recommend the implementation of best practice;
- take into consideration the fact that shortfalls from the achievement of set milestones are not always the result of mismanagement, and exclude in its proposal for a performance framework the refusal of funds in cases where the

failure of investments to produce the desired results could not have been prevented and/or could not have been foreseen from an *ex ante* perspective;

- increase the amount of information available about the progress of projects, and demand remedies for discovered shortcomings as a prerequisite for further funding; notes that a lack of information on project implementation is intolerable;
- carry out analyses of the effectiveness of the training seminars and guidance notes intended to raise awareness of the principles of sound financial management;
- propose changes to the legal provisions to allow a more effective advisory role in monitoring committees, and carry out an analysis investigating the efficacy of the aforementioned ‘other tools’ intended to influence effective spending;

Part IX - Special Report No 5/2012 of the Court of Auditors entitled "The Common External Relations Information System (CRIS)"

189. Welcomes the Court of Auditors' Special Report No 5/2012 as it provides Parliament, as the supervisory and discharge authority, with information about the execution of the budget;
190. Is pleased with the Court of Auditors' overall opinion that 'CRIS is mostly effective in responding to the Commission's information needs in the field of external actions' (point 75); is concerned, however, about some critical shortcomings detected in the report;
191. Calls on the Commission to define the role of CRIS and its objectives, as they have not been updated since the system became operational in 2002, in spite of the numerous changes to its content;
192. Endorses all recommendations of the Court of Auditors; calls on the Commission to implement them as soon as possible in order to remedy persisting weaknesses;
193. Stresses that any change in the role and modification of CRIS should reflect the new challenges of the Union's external policy introduced by the Treaty on Functioning of the European Union, resulting in better quality and improved coherence of data;
194. Emphasises the need to adapt the reporting functions of CRIS to the competences of Parliament in the fields of external policy and budgetary control;
195. Considers Recommendation 1, namely that the intended role of CRIS as an information system should be set out, notably with regard to the Commission's accrual based accounting system (ABAC), to be of prime importance;
196. Considers that an improvement in data integrity between CRIS and ABAC is imperative in order to report on the Union's external activities in a coherent, transparent, updated and reliable manner; stresses that a duplication of ABAC functions in CRIS should be avoided;
197. Is worried about the following observations by the Court of Auditors with regard to the efficiency and effectiveness of CRIS:
 - CRIS's role with regard to ABAC was not adequately defined, which has caused duplication of functions (points 34 and 35) and calls into doubt the added value of encoding financial transactions in CRIS in general (point 35),
 - information coming from CRIS can be unreliable (points 39 to 41, 49 to 52 and 54 to 56) and sometimes require additional manual adjustments (Commission's reply to point 52) because of data coding weaknesses (points 38 to 41) or missing and invalid data records (points 49 to 51, 54 and 55),
 - substantive delays in recording information (invoices and audit reports) in CRIS

occurred (point 57),

- the user-friendliness of CRIS remains the most urgent shortcoming (point 43 and figure 3);
198. Is concerned that because of those weaknesses, information provided to Parliament as discharge authority may be unreliable (e.g. point 39 concerns expenditure broken down by country); acknowledges the Commission's efforts undertaken so far (in particular, the Commission's replies to points 35, 52 and 54); calls, nevertheless, on the Commission to remedy those weaknesses as quickly as possible to ensure the sound financial management of CRIS; suggests that particular attention be paid to avoiding duplication of functions as this is inefficient and risks erroneous data entries;
199. Notes, furthermore, that the functionality of CRIS should be updated in order to provide aggregated information on beneficiary countries, policy areas and financial instruments, which is currently difficult or even impossible; underlines the need to improve the efficiency and effectiveness of the system for the operators through the rationalisation and consolidation of data coding;
200. Notes the Court of Auditors' explanations regarding the lack of any cost analysis for CRIS, which is due to an audit being carried out to analyse CRIS's ability to provide the Commission with the information needed and not to study its administrative expenditure; regrets, however, the lack of information on CRIS's cost-effectiveness;
201. Regrets the lack of a clear long-term strategy establishing CRIS's objectives and functioning at its inception, which has ultimately led to a proliferation of tasks without any coherent vision;
202. Stresses that CRIS should have a standard mechanism for layering the confidentiality of data and users' access rights; believes that such a mechanism should be established in order to ensure adequate confidentiality and data integrity;
203. Is concerned about the insufficient security of the system; notes, furthermore, that the definition of responsibilities in the sphere of security remains undefined and unclear, resulting in serious risk to the safety of data; emphasises that data must be fully compliant with Development Assistance Committee (DAC) criteria;
204. Reminds the Commission of the importance of complying with data protection rules; criticises the fact that notifications to the Data Protection Officer did not explicitly cover CVs attached to records in CRIS (point 74);
205. Calls on the Commission to address all shortcomings and recommendations presented by Parliament and the Court of Auditors without further delay;

Part X - Special Report No 6/2012 of the Court of Auditors entitled "European Union Assistance to the Turkish Cypriot Community"

206. Recalls that the audit addressed the overall question "Is the Commission managing the Union instrument of financial support to the Turkish Cypriot community effectively?";
207. Calls on its Committee on Budgets and the Committee on Budgetary Control to take the findings of this resolution into consideration when negotiating the new Multiannual Financial Framework (2014-2020) and without prejudice to its final outcome in order to take into account the Court of Auditor's recommendation to ensure improved planning, implementation and sustainability, in line with Regulation (EC) No 389/2006¹, in a way that does not imply an external territory;
208. Expresses its agreement with the conclusions of the Special Report of the Court of Auditors that "the programme has already achieved some positive results but their sustainability is often in doubt, particularly given the uncertainty over future EU funding", and that the Commission "has been able to develop a programme which addresses and appropriately prioritises all sectors referred to in the Regulation's objective" and has "also found a way in the face of significant constraints to quickly set up a programme management office in the northern part of Cyprus and use largely suitable implementation methods and risk mitigation measures. The main weaknesses in the management of the programme resulted from the local support office not operating under more devolved procedures in the same way as EU delegations and from the staff contracts being too short for them to manage the projects financed from start to finish. In addition, monitoring in the framework of joint management with the UN was not sufficient";
209. Notes that the programme has assisted multiple beneficiaries across the Turkish Cypriot community; regrets, nevertheless, that it has not been possible to implement the single largest project, the construction of a seawater desalination plant (EUR 27,5 million), due to restrictions imposed by the Turkish army; notes that this represents a significant setback for the programme;
210. Stresses the importance of continuing to provide assistance to the Turkish Cypriot community according to the provisions of Regulation (EC) No 389/2006, as also noted by the Commission in its reply to the Court of Auditor's Special Report; stresses the importance of bringing the Turkish Cypriot community closer to the Union in order to facilitate the process of reunification; takes the view, therefore, that in future, the resources allocated to (i) the promotion of social and economic development, (ii) the development and restructuring of infrastructure, (iii) reconciliation, confidence-building measures and support to civil society, (iv) bringing the Turkish Cypriot community closer to the Union, (v) the preparation of legal texts aligned with the *acquis communautaire*, (vi) preparation for the implementation of the *acquis communautaire*, as

¹ Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction (OJ L 65, 7.3.2006, p. 5).

well as to fostering economic integration as a matter of priority, should be increased and the related bi-communal programmes should be intensified;

211. Points out, in particular, the fundamental role of bi-communal projects such as the Committee on Missing Persons in order to determine the fate of missing persons and contribute to inter-communal reconciliation; stresses the importance of securing the necessary funds for the operation of the Committee on Missing Persons and asks the Commission, in supporting the Committee on Missing Persons, to call upon the Turkish military forces to facilitate access to military zones; stresses the necessity to fund bi-communal infrastructure projects and cooperate in a more efficient way with the United Nations Agencies and Programmes;
212. Also points out the importance of continuing to support the work of the Technical Committee on Cultural Heritage in order to ensure the restoration and preservation of historical and religious sites which constitute an integral part of the cultural heritage of Cyprus and an inseparable part of world cultural heritage as a whole;
213. Notices that, more generally, the sustainability of projects is often in doubt due to the limited administrative capacity, the delayed adoption of relevant texts and the uncertainties over the future funding on the part of the beneficiaries;
214. Considers it also useful to recall that, at the time of the audit, it was still unclear whether or not significant further funding for the Union assistance programme would be made available; notes that this uncertainty makes the programme management more difficult and has a negative impact on its effectiveness and sustainability;
215. Takes note of the Court of Auditor's recommendations which cover different scenarios, based both on developments in the reunification process and the level of the future Union assistance;
216. Agrees with the Commission that until a settlement of the Cyprus problem is achieved, support to the Turkish Cypriot community should continue to be based on Regulation (EC) No 389/2006;
217. Notes with satisfaction that the interventions reflect the programme's objectives despite the wide range of sectors to be covered, the delayed adoption of Regulation (EC) No 389/2006 and the absence of a multiannual approach;
218. Notes with concern, nevertheless, that the Commission is faced with significant constraints in the establishment and implementation of the programme, that the effectiveness of the Commission's local support office has been undermined by several factors, that the programme implementation procedures are not always effective and that the sustainability of projects remains risky, despite some results;
219. Acknowledges the situation described in the Court of Auditors' Special Report; notes that the Commission has taken a number of initiatives and that since the audit, further efficiency improvements have been achieved;
220. Also welcomes the successful conclusion of operations through joint management with

the United Nations Development Programme (UNDP);

221. Regrets the loss of the seawater desalination plant project, which was an unfortunate setback; recalls that this project was not only the main project in the water sector but also the largest project (amounting to approximately 10 % of total contracted funding) funded under the instrument and that the plant was intended to provide 23 000 m³ of clean drinking water per day, covering the needs of an estimated 100 000 people and recalls that water supply is becoming an increasingly critical issue for the island following a 40 % decrease in the mean annual rainfall in the past 30 years; is deeply concerned by the cancellation of the project, due to restrictions imposed on the Greek Cypriot contractor by the Turkish army, and once these restrictions were lifted in March 2010, the contractor was unwilling to continue, claiming adverse conditions, meaning that this serious environmental issue is not addressed; calls on the Commission to consider the possibility of renewing the project;
222. Insists, however, that the Commission's financial interests have been protected with the cancellation of the desalination plant project; notes that no payments have been made under the construction contract;
223. Deeply regrets that delays have affected most of the actions on local and urban infrastructures, although in most cases, the delays were due to political difficulties and verification of land ownership, which are largely outside the control the Commission and the UNDP;
224. Endorses the conclusions of the Court of Auditors that the programme has already achieved some positive results and assisted many beneficiaries across the Turkish Cypriot community, including farmers, students and those using the new crossing points; notes that its sustainability is often in doubt, particularly given the uncertainty over the future Union funding;
225. Welcomes the conclusion of the Court of Auditors that despite the difficult political context and a compressed timetable, the Commission managed to establish a programme which reflected the objectives of Regulation (EC) No 389/2006 and managed to quickly set up a programme management office and introduce suitable implementing mechanisms;
226. Stresses the transitional and exceptional character of Union aid to the Turkish Cypriot community, pending the reunification of Cyprus; notes that the Commission supports the continuation of assistance to the Turkish Cypriot community until there is a comprehensive settlement of the Cyprus problem in the framework of Regulation (EC) No 389/2006;
227. Takes note of the conclusions and recommendations of Special Report No 6/2012; recommends to the Commission to take into consideration the accumulated experience in the implementation of the programme and, if necessary, propose measures for its further improvement and inform Parliament accordingly; proposes that Union financial aid for the economic development of the Turkish Cypriot community takes into account not only new projects but also the need to help secure the sustainability of existing projects when deciding on the allocation of any future funding, based on the existing

legal framework and in line with the objectives of Regulation (EC) No 389/2006;

228. Considers that Union aid should continue to support the reunification process in Cyprus; in this regard, recommends to the Commission to keep pursuing the five objectives of Regulation (EC) No 389/2006, supporting among others, bi-communal measures, confidence building projects, missing persons related activities, civil society (including the Armenian and Maronite minorities), the preservation and restoration of historical sites, environmental protection as well as the economic and social development and the implementation of the *acquis communautaire*;
229. Asks the Commission to maximise the circulation of information on tenders for reconciliation and civil society strengthening programmes; points out, in particular, the need to support programmes on the socio-economic integration and empowerment of women in the Turkish Cypriot community;

Part XI - Special Report No 7/2012 of the Court of Auditors entitled "The reform of the common organisation of the market in wine: Progress to date"

230. Welcomes Special Report No 7/2012 of the Court of Auditors entitled "The reform of the common organisation of the market in wine: Progress to date" that focuses on the progress achieved by the reform of the common organisation of the market in wine introduced by the Council in 2008; acknowledges that the main objective of the audit was to assess the progress regarding one of the main objectives of the reform, namely improving the balance between supply and demand;
231. Recalls that the reform of the common organisation of the market in wine was aimed at balancing supply and demand, and that the main financial instruments of this reform included a temporary grubbing-up scheme and the setting up of national support programmes, allowing each Member State to choose the measures (among 11 available) best adapted to its particular situation;
232. Emphasises that the audit focussed on the two measures representing the largest areas of spending: "grubbing-up" and "restructuring and conversion of vineyards" with EUR 1 074 million made available for the grubbing-up measure in the three-year application period from 2008-2009 to 2010-2011 and EUR 4 200 million allocated for restructuring and conversion measure for the ten-year period from 2001 to 2010;
233. Takes note that the Union is the world's biggest wine producer with 3 5 million hectares (ha) of vines; recalls that the Union produced approximately 160 million hectolitres (hl) during the wine year 2007-08, accounting for around 60 % of the world's wine production; furthermore, notes that there was a downward pressure on wine prices at producer level, compounded by the overall decrease in wine consumption in the Union in the 20 years leading to 2009;
234. Notes that Special Report No 7/2012 indicates that although demand for grubbing-up exceeded 350 000 ha, its impact was limited by the fixed target of 175 000 ha and ultimately, only 160 550 ha were grubbed-up with the help of Union aid; the Court of Auditors estimates that the grubbing-up scheme finally reduced the vineyard inventory area by around 5 %, corresponding to approximately 10,2 million hl of wine withdrawn or 6 % of the usable wine production; points out, however, that far more land – 300 000 ha in all – has been grubbed-up since the reform, and that no such aid was provided in respect of around 140 000 ha of that land, a figure that does not appear in Special Report No 7/2012;
235. Notes that the Court of Auditors concludes that for the grubbing-up measure, the scheme could have been more efficient and less expensive since the aid rates were increased to levels that were too high in the first and second year, while the demand for the measure exceeded the target, even when the rates were reduced to their original level in the third and final year of the scheme;
236. Notes that the Court of Auditors considers that grubbing-up did not always target the less competitive or less viable vineyards and that the scheme financed the grubbing-up

of some vineyards that had already been restructured and were, in principle, competitive; regretfully notes that such cases are at odds with the policy objectives of the reform;

237. Notes that Special Report No 7/2012 stresses that the expected reduction of the production did not materialise as a consequence of the insufficient use of some common market organisation instruments such as green harvesting and promotion, and the rejection by the Council of the Commission proposal to ban enrichment with sucrose;
238. Notes that Special Report No 7/2012 recognises that restructuring measures have contributed to the improvement of competitiveness in the sector but they have also provoked an increase of yields in certain Member States offsetting efforts to reduce the market supply;
239. Takes note that the Court of Auditors notes that the Commission has not made an in depth assessment on the potential impact of the liberalisation of planting rights scheduled for 2018 at the latest, and considers that such an assessment is necessary to establish an estimate of the balance between supply and demand in the wine sector;
240. Takes note of the Court of Auditors' concerns that the Union financed the grubbing-up measure in order to reduce the surplus of wine, while in certain cases, the restructuring and conversion measure led to some increases in vineyard yields; takes the view, however, that greater yields may make the wines more competitive, but strongly encourages the Commission to ensure that an appropriate strategy is in place to avoid unbalances;
241. Fully endorses that the grubbing-up of some modernised vineyards should have been avoided by clarifying existing provisions, so that the vast possibilities of interpretation would have been avoided and established additional eligibility criteria linked to the vineyard itself and not only to the farmer;
242. Is of the opinion that the Commission should review the restructuring measures to reinforce their effectiveness and maintain measures from the previous programme that proved successful in order to boost the sector competitiveness; expects the Commission to ensure that the Member States' national programmes and the restructuring and conversion measures are in line with the objective of the reform, especially the Single Payment Scheme; furthermore, asks the Commission to improve the current provisions to enable farmers to better adapt to market signals and better match the supply to the products demanded;
243. Calls on the Commission to promote measures to safeguard the Union's best winemaking traditions, which essentially entails ensuring socio-economic cohesion and protecting the environment and landscape in many of the rural areas in which they operate;
244. Considers that the Commission should establish a regularly updated estimate of the balance between supply and demand in the wine sector based on statistical analysis of the sector variables, taking into account positive output effects of restructuring and conversion measures; believes that on the basis of that estimate, it should have

determined the targeted area for the grubbing-up measure and is of the opinion that in the future, it should evaluate whether the improvement of any other measures is necessary to address possible imbalances on the basis of that estimate;

245. Insists on the need to realise an in-depth impact study assessment of the planting rights liberalisation, according to the Court of Auditors' recommendation; asks the Commission to evaluate the potential consequences of the elimination of this regime in order to adopt the most convenient decisions to guarantee the balance of the wine market; notes the opinion of a majority of Member States against the decision to end up with that system, a view shared by the Parliament in its resolution of 23 June 2011 on the CAP towards 2020: meeting the food, natural resources and territorial challenges of the future¹;
246. Stresses that although demand for wine in the Union has been decreasing over the last decades, there has been a tangible increase in exports to third countries during the last few years, which was not addressed in Special Report No 7/2012; believes that the implementation of measures to promote the export of quality wines would help reduce production surpluses;
247. Urges the Commission to take measures ensuring that Member States that use flat rates per ha to calculate payments install proper control mechanisms for paying agencies guaranteeing that farmers are not overcompensated, standardise the estimation of costs so that variations in estimated costs for comparable measures are reduced to a minimum;
248. Urges the Commission to take adequate action to establish comparability and an acceptable level of standardisation for measures based on Article 103q of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)²;
249. Believes that, in addition to the export of quality wines to third countries, greater support for consumption of European wines within the Union would also help to reduce the production surpluses;
250. Asks the Commission to relaunch a policy to promote the wine sector and improve its competitiveness in the internal market, including information campaigns for adults on responsible consumption of wine, and on its specific qualities and features, which highlights the cultural roots of European wines; calls, furthermore, on the Commission to study an European strategy to increase exports to third countries;

¹ OJ C 390 E, 18.12.2012, p. 49.

² OJ L 299, 16.11.2007, p. 1.

Part XII - Special Report No 9/2012 of the Court of Auditors entitled "Audit of the control system governing the production, processing, distribution and imports of organic products"

- 251. Welcomes the Court of Auditors' Special Report No 9/2012, and endorses the Court of Auditors' conclusions; finds it regrettable, however, that audit visits were made to only six Member States, even allowing for the fact that these were the countries most directly concerned;
- 252. Endorses the Court of Auditors' recommendations, in particular regarding traceability and the cross-border trade in organic products;
- 253. Notes that consumption of organic food constitutes less than 2% of the entire food market, though the trend is likely to be rising;
- 254. Highlights the fact that the importance of organic production goes beyond healthy nutrition; organic farming is an innovative, knowledge-based approach to agricultural production with efficient use of resources, which can be an engine of rural development and employment; increasing use of biotechnologies and organic production could provide a "European added value" for agriculture, which could result in a stronger role for Europe in global competition; notes, furthermore, that it contributes to long-term environmental, economic and social sustainability, such as climate change mitigation and adaptation, slowing reduction in biodiversity and improving animal welfare standards;
- 255. Recalls that Parliament has always supported organic farming and will continue to do so and has actively participated in creating legislation for production and labelling rules of organic food;
- 256. Believes that in the context of the next Multiannual Financial Framework greater attention and more support should be directed to the production of organic products;
- 257. Expresses its concern that many organic products are more costly than non-organic products; as a result, price-sensitive consumers and people living on lower incomes are not able or are less able to afford these healthier products;
- 258. Recognises that an effective system of controls for organic production sets a number of hurdles for operators (including producers, importers and processors) to overcome but at the same time, validates their quality, giving operators credibility whilst allowing the consumer to have confidence in products labelled as organic;
- 259. Draws attention to the growth of the organic food market from Union-grown and imported organic goods, which may also create the potential for unfair commercial practice, and points out that this requires stronger control systems at Union and Member State level; emphasises that controls should provide a guarantee that products labelled as organic are really organic;
- 260. Recalls that the Commission is responsible for the supervision of control systems and calls on the Commission to undertake a joint evaluation of the Court of Auditors' main

findings with the Member States, who bear the significant responsibility for operating the control system;

261. Stresses the importance of providing sufficient assurance that the system is operating effectively and that it ensures that consumer confidence is not undermined;
262. Asks the Commission, therefore, to bring forward initiatives and regulatory proposals aiming to ensure that all the weaknesses pointed out by Special Report No 9/2012 are remedied by the end of 2013;
263. Welcomes the Commission's forthcoming review of the control legislation and current preparation of accreditation guidelines by the European co-operation for Accreditation as a valuable contribution to improving implementation in future;
264. Stresses that a level playing field in applying procedures for approving and supervising control bodies is fundamental; notes that failures lead to differences in organic labelling control, which increase the risk of fraud or organic labelling shopping and therefore have a negative impact on consumer confidence in the organic label;
265. Expresses its surprise and disquiet at the Court of Auditors' finding that Member States' competent authorities have been failing to document, or have not sufficiently documented, the approval and supervision procedures applied to control bodies in order to ensure compliance with regulatory requirements; calls for the national parliaments, whose task it is to exercise control over the Member States' governments, to be informed of this finding;
266. Emphasises that the independence of the control bodies, public authorities included, is crucial to maintaining the reputation of the organic label;
267. Welcomes the improvements in IT systems already at hand and sees these as essential components of effective controls in the future;
268. Emphasises Member States' responsibilities in this, as in other domains, and regards the regular meetings of the Standing Committee on Organic Farming (SCOF) as highly valuable in terms of exchange of best practice and information between Member States, the Commission, and third country staff involved in the control systems; notes, nevertheless, the Court of Auditors' comment (point 75) that this body needs to improve its capacity to exchange information on the functioning of the import authorisation regime;
269. Emphasises the importance of the exchange of information within Member States and between Member States and the Commission; therefore, asks the Commission to introduce appropriate measures to make sure the flow of information is relevant, reliable and timely; in particular, asks the Commission to take appropriate measures to speed up and to increase the reliability of the communications relating to organics certification issues such as those communicated through the "Organic Farming Information System";
270. Calls on the Member States to cease, before the cut-off date, to grant the transitional

import authorisations established by Council Regulation (EEC) No 2083/92¹, an arrangement which has been extended several times but is to end under the current Commission Regulation (EU) No 1267/2011² of 6 December 2011, which stipulates that Member States may not issue authorisations of this type after 1 July 2014;

- 271. Observes the comment in the 2011 Annual Activity Report of the Commission's Directorate-General for Agriculture and Rural Development indicating that organic products were erroneously suggested as the potential source of contamination of the E. Coli outbreak casting some doubts over organic farming supervision and that the year was marked by extensive media coverage of supervision and control weaknesses in the organic sector³, notably in the wake of a fraud uncovered at the end of the year, with falsified data and products falsely labelled as organic;
- 272. Notes the reservation in that 2011 Annual Activity Report regarding possible reputational risk to the organic control system if it is not implemented properly across the Union and at its external borders;
- 273. Is waiting for the follow-up of the Court of Auditors in three years in order to get a picture of the remedial measures put in place and their results;

¹ Council Regulation (EEC) No 2083/91 of 14 July 1992 amending Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs (OJ L 208, 24.7.1992, p. 15).

² Commission Regulation (EU) No 1267/2011 of 6 December 2011 amending Regulation (EC) No 1235/2008 laying down detailed rules for implementation of Council Regulation (EC) No 834/2007 as regards the arrangements for imports of organic products from third countries (OJ L 324, 7.12.2011, p. 9).

³ See the 2011 Annual Activity Report of the Commission's Directorate-General for Agriculture and Rural Development, p. 25.

Part XIII - Special Report No 12/2012 of the Court of Auditors entitled "Did the Commission and Eurostat improve the process for producing reliable and credible European statistics?"

274. Points out that:

- (a) the European statistical system consists in a partnership between the Union statistical authority, Eurostat, and the national statistical institutes which are responsible for coordinating all activities at national level for the development, production and dissemination of European statistics and may receive grants from the Union budget without prior call for proposals;
- (b) the European Statistical System Committee provides professional guidance to the European Statistical system;

275. Notes that:

- (a) the overall objective of the audit was to assess whether the Commission and Eurostat have improved the process for producing reliable and credible European statistics;
- (b) for this purpose the Court of Auditors addressed two issues: the implementation of the European Statistics Code of Practice (ESCP) and the management by Eurostat of the multiannual European statistical programme;
- (c) the audit also covered the contribution of the European Statistical Governance Advisory Board (ESGAB) and the European Statistical Advisory Committee;

276. Broadly endorses the three main recommendations made by the Court of Auditors:

- (a) since the statistical authorities of the Union and the Member States share a common responsibility for maintaining trust in Europe's democratic process, they should strengthen the system of European statistics in ensuring professional independence, sufficient resources, effective supervision with sanctions and swift improvement of measures for cases where quality standards are not respected;
- (b) in order to fully implement the ESCP, the Commission should:
 - propose amendments to the regulatory framework for the production of European statistics that provide a sound basis for review, enforcement and in appropriate cases, verification and inspection covering the institutional environment of statistical production, the statistical processes and the statistical output both at Union and national level;
 - take the necessary steps to ensure legal certainty of the nature of the obligation to adhere to the ESCP;
 - develop a supervisory function to oversee reviews, verifications, and

- inspections, for example by extending the current remit of the ESGAB;
- enhance the professional independence of the Chief Statistician of the European Union;
 - bring its internal decision in Eurostat's role in line with the requirements of the ESCP, enable Eurostat to apply its protocol on impartial access to data without the restriction (and phase out the mechanism of sub-delegated operational credits for statistical production which makes Eurostat, in part, financially dependent on other Commission service);
 - launch a new round of peer reviews envisaged by the Commission for 2013 covering compliance with all principles of the ESCP including a strong element of external element to allow independent assessments and comparable results;
 - consider introducing rolling peer review for the most important statistical domains covering the entire production chain including providers of administrative data;
- (c) Eurostat should fully exploit the potential of the upcoming European statistical programme for the years 2013-2017 and, in particular:
- define precise targets and milestones each year in the annual statistical programmes and organise an adequate follow-up;
 - consider to revise the programme if needed during its implementation and to synchronise it with the Multiannual Financial Framework;
 - systematically review the statistical priorities taking into account the relevance of the statistical outputs and the cost and burdens for the European statistical system, its members and respondents and encourage statistical innovation when defining new priorities;
 - improve its support to European Statistical Advisory Committee's functioning through more and better tailored information on the budgetary and financial implications of statistical programming choices and on the implementation of statistical programmes;
 - simplify and improve the efficiency of the financial management of grants by resorting to standards scales of unit costs for staff and to lump sums for data sets provided through surveys;
 - explore the option of a performance-based system of grant management which relies on agreed indicators and objectives;
 - enhance competition in procurement procedures notably by giving more weight to price criterion in best value for money procedures and avoiding minimum thresholds that weaken price competition;

277. Welcomes the generally constructive replies made by the Commission and notes, in particular, that the Commission agrees with the Court of Auditors that the Union, the Member States and their statistical authorities share a common responsibility for maintaining trust in Europe's democratic process;
278. Points out that, as requested by the Court of Auditors, the Commission:
- (a) tabled a proposal for a regulation amending Regulation (EC) No 223/2009 (COM(2012)0167);
 - (b) adopted a new internal decision on Eurostat on 17 September 2012; and
 - (c) approved in September 2011 a revision of the ESCP;
279. Points out that the coordinating role of the national statistical institutes and Eurostat in the production of European statistics must be enforced and supported by further legislative changes, where necessary; calls for the ESGAB to be transformed into an independent supervisory body which should be tasked with overseeing reviews, verifications and inspections in the European Statistical System; to that end, invites the Commission to draw up a proposal for a regulation which should replace Decision No 235/2008/EC of the European Parliament and of the Council of 11 March 2008 establishing the European Statistical Governance Advisory Board¹ currently in force;
280. Stresses that the European statistical system itself must be a driver of systemic improvement in order to adapt its structures and resources to the new challenges; notes that, as there is increasing demand for statistics in the face of decreasing resources, there is need for systemic change in the ways statistics are produced in order to further improve efficiency; underlines that implementing the vision for the next decade and the associated joint European statistical system strategy can no longer be postponed;
281. Underlines the need to further strengthen the governance of the European statistical system and stresses that the on-going revision of the European statistical system's governance structure must be completed swiftly in order to streamline the decision-making channels and transfer the comitology competences to the European Statistical System Committee; asks the Commission to clarify the position of the ESGAB in the European statistical system's governance structure;
282. Welcomes the Commission's commitment to fully implement the ESCP; however notes that the ESCP still represents a challenge for the European statistical system as a whole and there is a need to support the Eurostat and the national statistical institutes in their efforts to fully implement the ESCP;
283. Regrets that out of the 677 improvement actions originally identified for the European statistical system during the external peer reviews carried out in 2006-2008, only 71 % were completed by 2012; notes that part of the remaining improvement actions are already outdated and that the speed of their implementation is stalling; therefore welcomes the plans for a new set of peer reviews to start in 2013, including the

¹ OJ L 73, 15.3.2008, p. 17.

publication of the full list of the remaining actions and the schedule for their implementation; emphasises the importance of including external verification processes while implementing the new round of peer reviews;

284. Welcomes the fact that the Commission accepts in principle the recommendations on peer reviews, the introduction of precise targets and milestones in annual statistical programmes, reprioritisation and revision of the 2013-2017 programme, encouragement to innovation, a better involvement of the European Statistical Advisory Committee, simplification and improvement in the efficiency of financial management of grants; notes that the Commission also agrees to avoid a weakening of price competition in procurement procedures and to adapt the existing threshold and ratio for selecting the economically most advantageous tender and is satisfied that provisions of the proposal for a regulation amending Regulation (EC) No 223/2009 as tabled by the Commission specify the use of lump sums and agreement for using standards scales of unit costs;
285. Notes that a provision of the Commission proposal for a regulation amending Regulation (EC) No 223/2009 reinforces the principle of the independence of the Chief Statistician of the European Union but does not foresee the same mechanisms for its appointment as recommended by the Court of Auditors; points out that the modified Regulation must define the ESGAB's role in the selection procedure of the Chief Statistician applied by the Commission and that clear and publicly accessible appointment and dismissal rules for the Chief Statistician should be ensured by means of open competitions and fixed terms in line with the ESCP;
286. Takes note of the position of the Commission as to the phasing out of the sub-delegation of credits for statistical production.

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287. Instructs its President to forward this resolution to the Council, the Commission, the Court of Justice of the European Union, and the Court of Auditors, and to arrange for its publication in the Official Journal of the European Union (L series).

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.3.2013
Result of final vote	+: 18 -: 2 0: 6
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zuzana Brzobohatá, Ryszard Czarnecki, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Jan Mulder, Eva Ortiz Vilella, Monika Panayotova, Aldo Patriciello, Paul Rübig, Petri Sarvamaa, Bart Staes, Georgios Stavrakakis, Søren Bo Søndergaard
Substitute(s) present for the final vote	Jorgo Chatzimarkakis, Edit Herczog, Markus Pieper, Olle Schmidt, Derek Vaughan
Substitute(s) under Rule 187(2) present for the final vote	Birgit Collin-Langen, Peter Jahr