

MONDAY, 27 MARCH 2017

15.00 - 17.45

Room: József Antall (4Q1)

1. ADOPTION OF THE AGENDA

The draft agenda was emailed to Members on 23 March 2017 and is in the [file for the meeting](#).

2. CHAIR'S ANNOUNCEMENTS

The Chair draws attention to the following points:

Languages available

FR, DE, IT, NL, EN, EL, ES, FI, CS, ET, HU, LT, PL, SL, BG, RO, SK, PT.

Webstreaming

The CONT meeting is webstreamed on the [Europarl web-site](#).

Please be aware that each time a speaker activates the microphone to make an intervention, the camera will be automatically directed to the speaker.

Voting cards

The electronic voting system will be used for the votes and Members are reminded to bring their electronic voting card.

3. APPROVAL OF MINUTES

The following minutes are published on the [CONT website](#):

- 13 February 2017 (CONT meeting and CONT-ECON meeting)
- 27-28 February 2017

If no objections are received before the end of the meeting, the minutes will be deemed approved.

4. COST EFFECTIVENESS OF THE 7TH RESEARCH PROGRAMME

CONT/8/05051



Consideration of draft INI report

Co-Rapporteurs: [Inés Ayala Sender](#) (S&D) and [Martina Dlabajová](#) (ALDE)

Administrator: Christian Ehlers

Shadow Rapporteurs: Andrey Novakov (EPP), Younous Omarjee (GUE/NGL), Indrek Tarand (Greens/EFA), Marco Valli (EFDD)

The committee decided to look into the question, whether the seventh research framework programme (FP7) was implemented in a cost-effective way.

The two rapporteurs arrived at the conclusion that the Commission – overall – managed the FP7 cost effectively and that the Court's concerns were taken into consideration. They call on the Commission to ensure that modernisations introduced under Horizon 2020, such as flat rates for indirect costs, a single audit strategy, single participant portal, etc., are applied in a similar way in other policy areas, e.g. structural funds, and stress that all grant beneficiaries should be treated fairly and evenly. The rapporteurs also voiced concern about the fact that in their evaluation reports both agencies, the Research Executive Agency (REA) and the European Research Council Executive Agency (ERCEA), point out that the feedback loops and communication between the Commission and the executive agencies could be further improved.

The draft report is available on the [CONT website](#) in all languages.

CONT Timetable:

Event	Body	Date
Deadline for amendments	CONT	29 March
Adoption in CONT	CONT	3 May

*** ELECTRONIC VOTING ***

5. PROTECTION OF THE EUROPEAN UNION'S FINANCIAL INTERESTS (PIF) - FIGHT AGAINST FRAUD 2015 ANNUAL REPORT

CONT/8/06688

Adoption of draft Report



Rapporteur: [Julia Pitera](#) (EPP)
Administrator: Michal Czaplicki

Shadow Rapporteurs: Gilles Pargneaux (S&D), Ryszard Czarnecki (ECR), Nedzhmi Ali (ALDE), Dennis de Jong (GUE/NGL), Benedek Jávör (Greens/EFA), Marco Valli (EFDD), Barbara Kappel (ENF)

As a basis of the CONT report, OLAF presented its annual report on 13 June 2016 and answered to written questions of the Committee on 5 September 2016. On 7 November 2016 the Vice-President of the European Commission responsible for Budget and Human Resources, Ms Kristalina Georgieva, presented the "Protection of the European Union's financial interests - Fight Against Fraud - Annual Report 2015 (COM(2016)472)".

In her report Ms Pitera is concerned about the losses due to VAT gap and intra-community VAT fraud, which is responsible consecutively for 159,5 billion EUR and 50 billion EUR revenue loss in 2014. She noted that only two Member States, the UK and Belgium, collect and disseminate statistics on the issue of revenue losses caused cross-border VAT fraud. Ms Pitera points out that the Commission does not have access to the information exchanged between Member States with a view to preventing and combating Missing Trader Intra-Community fraud, commonly called carousel fraud. She encourages the Commission to further enhance its supervisory role through audit, control and inspection activities, remedial action plans and early warning letters. She looks forward to the Commission's mid-term assessment in 2018 in order to establish whether the new regulatory architecture for cohesion policy further prevents and reduces the risk of irregularities including fraud, and looks forward to receiving detailed information on the impact of the new rules on management and control systems, both as regards the risk of irregularities and fraud and as regards the general implementation of the policy. She welcomes breaking the deadlock in the Council regarding the proposal on the Directive on the fight against fraud to the Union's financial interests by means of criminal law (PIF Directive) with a VAT fraud included in its scope, expressed hope for a swift conclusion of the PIF directive negotiations and is looking forward to obtaining an agreement that will be beneficial for the financial interests of the Union. Lastly, she regretted to note that despite the assurances of OLAF that it is doing its utmost to shorten the length of its investigations the duration of its investigative phase is growing continuously since 2012 - from 22.5 to 25.1 months in closed cases and from 17.3 to 18.7 months in all cases.

190 amendments were received by the deadline of 28 February 2017. Two Committees – LIBE and REGI have issued opinions to be incorporated in the report. The draft report and the amendment are available in all languages on the [CONT website](#).

The final voting list was sent to the Members on 24 March 2017.

CONT Timetable:

Event	Body	Date
Adoption in Plenary	Plenary	MAY I

6. ANNUAL REPORT ON THE CONTROL OF THE FINANCIAL ACTIVITIES OF THE EIB FOR 2015

CONT/8/06693



Adoption of draft report

Rapporteur: [Nedzhmi Ali](#) (ALDE)

Administrator: Olivier Sautière

Shadow Rapporteurs: Andrey Novakov (EPP), Georgi Pirinski (S&D), Raffaele Fitto (ECR), Luke Ming Flanagan (GUE/NGL), Indrek Tarand (Greens/EFA), Marco Valli (EFDD)

Following the presentation and exchange of views on the 2015 EIB annual report held in CONT on 29/11/2016 in the presence of the Vice-President of the EIB Mr McDowell, the Committee on Budgetary Control (CONT) had an exchange of views on the draft report on 31/01/2017.

The draft report highlights the need to enhance the sustainability of the EIB's investment policy and to ensure consistency of EIB's financed activities with the EU's general strategy and political priority areas as well as the monitoring of the EIB's funding of numerous initiatives in key public policy areas with a view to enhancing its performance scrutiny.

As regards the implementation of the European Fund for Strategic Investments (EFSI), the investments should be regularly assessed through the scoreboard of indicators with a view to identifying well-targeted projects in terms of their contribution to growth and jobs and to provide an objective overview of their additionality and benefit.

Further, the EIB is called upon to increase its transparency, accountability and internal control as a prerequisite for better corporate governance and genuine public scrutiny.

The deadline for tabling amendments was 6 February 2017. 184 amendments were tabled.

The Committee on Regional Development (REGI) delivered an opinion on this CONT report on 7 February 2017 for which Mr Ivan Jakovčić was appointed Rapporteur.

The draft report and the amendments are available in all languages on the [CONT website](#).

CONT Timetable:

Event	Body	Date
Adoption in Plenary	Plenary	APRIL II

***** END OF ELECTRONIC VOTING *****

7. BUDGETARY CONTROL OF FINANCING NGOs FROM THE EU BUDGET

CONT/8/05369



Consideration of draft INI report

Rapporteur: [Markus Pieper](#) (EPP)
Administrator: Tereza Pinto De Rezende

Shadow Rapporteurs: Miroslav Poche (S&D), Hannu Takkula (ALDE), Benedek Jávor (Greens/EFA), Marco Valli (EFDD)

The study on "financing of NGOs from the EU budget" was presented in 2010 in the budgetary control committee of the European Parliament. Many shortcomings were identified at that time and the CONT coordinators agreed that a follow up was necessary to take into consideration new mechanisms of funding and control as well as an assessment whether the difficulties encountered at the time were overcome.

A new study was requested on "democratic accountability and budgetary control of NGOs funded by the EU budget", which concluded that some minor improvements were made but many of the shortcomings continue to exist, preventing a proper accountability of the EU budget. After the study presentation, there was a workshop organised by CONT where NGO had the opportunity to express their views and debate the findings of the study.

The Rapporteur presents his draft report with some critical remarks to the Commission. The systems used by the different services of the Commission in the awarding of grants is inconsistent and apply incoherent rules. The Commission is required to provide proper guidelines to the award of funding to the NGO and do regular random checks to assess their compliance. The governance of the organisations should be disclosure and fully transparent.

With regard to the Financial Transparency System (FTS), the Rapporteur deplores that due to the lack of clear and unified organisational typology, the data concerning the organisations cannot be analysed. The FTS must be user friendly and include final payments in the specific programmes and an inter-institutionally agreed definition of NGO. The creation of a single portal for recording and managing grant funding is one of the proposals for the Commission to address.

The Commission is asked to introduce harmonised rules on transparency, monitoring and control mechanisms to the grant system in the next revision of the Financial Regulation (FR). In parallel, it should consider the introduction of an EU wide code of conduct for NGO applying for EU funding, with simplified procedures for small NGO.

NGOs receiving more than 10% of its overall funding from the EU should advertise it under pre-defined visibility criteria that should be harmonised across the Commission's services. In addition, the NGOs candidates or already recipients of EU funding should publish the details of the lobby contacts with the Commission and the MEPs. Those organisations carrying the EU certification scheme for trustworthy organisations would benefit from the ease of reporting and verification requirements.

The Rapporteur supports a mandatory register with an effective sanctioning mechanism for those entering wrong information in the register. He also calls for a unique identification number for potential applicants for call of proposals to be created.

The Rapporteur asks the Commission to introduce a uniform checklist that allows scrutinising individual NGOs and recommends the development of a common monitoring system where final beneficiaries can be identified. The Court of Auditors is called to draw up a special report on the transparency of EU funding for NGOs and to address this report remarks.

The draft report (EN) is available on the [CONT website](#).

CONT Timetable:

Event	Body	Date
Deadline for amendments	CONT	11 April
Adoption in CONT	CONT	29 May
Adoption in Plenary	Plenary	SEPTEMBER I

8. ECA SPECIAL REPORT N° 24/2016 (2015 DISCHARGE) ON “MORE EFFORTS NEEDED TO RAISE AWARENESS OF AND ENFORCE COMPLIANCE WITH STATE AID RULES IN COHESION POLICY”

CONT/8/08047



Presentation of the Special Report by the Member of the European Court of Auditors responsible, *Oskar Herics*, and consideration of a working document

Rapporteur: [Nedzhmi Ali](#) (ALDE)

Administrator: Christian Ehlers

Shadow Rapporteurs: Inés Ayala-Sender (S&D), Dennis de Jong (GUE/NGL), Marco Valli (EFDD), Marian-Jean Marinescu (EPP)

In principle, State aid is prohibited in order to ensure the proper functioning of the internal market. However, aid of a certain size, in certain sectors, geographical areas or in special circumstances, may be compatible with the internal market. During the period 2010 to 2014, Member States have granted an average of 76.6 billion euro of State aid per year, excluding aid to the financial sector, to the railway sector and to public services such as postal services. This corresponds to over 0.5 % of EU Member States' gross domestic product (GDP).

The allocation of cohesion policy funds is determined by taking into account differences in GDP levels, with poorer regions receiving higher levels of financial support. As a result, these funds account for a significant share of total government spending in several Member States. This is the case in particular for those Member States, which joined the EU in 2004 and 2007: for example, the allocation of cohesion policy funds in 2014 accounted for more than 5 % of all government spending in Estonia, Hungary, Latvia, Lithuania and Poland. The Commission estimates that during the 2007-2013 programme period, around 40 % of cohesion policy funds, amounting to EUR 139 billion, was awarded to projects subject to State aid rules (28% of total State aid spending).

The Court recommends that the Commission should:

1. impose corrective actions where aid measures do not comply with State aid rules;

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2.
 - a. use management of audit processes, activities and resources (MAPAR) to record irregularities in a way that allows easy analysis of, for example, their type, frequency, seriousness, geographical origin and cause; the database should equally contain information on the follow-up of these irregularities (such as financial corrections imposed);
 - b. adapt the database's structure of the Irregularity Management System (IMS) so that information on irregularities such as State aid can be extracted and analysed across Member States and type;
 - c. give DG COMP access to all relevant information on State aid irregularities contained in MAPAR and IMS on a regular basis;
3. approve major projects only after internal State aid clearance and consistently ask Member States to notify aid where needed with a view to ensuring legal certainty, independent of the application procedure used by the Member State;
4.
 - a. ensure that the scope and quality of audit authorities' checks of compliance with State aid rules are sufficient;
 - b. ask audit authorities to check the State aid compliance of those major projects that have been approved before the end of 2012 during the closure of the 2007-2013 period;
 - c. develop further guidance material, including in particular case studies illustrating good practices and the most common types and causes of infringements of State aid rules;
 - d. encourage Member States to set up a central register for monitoring "de minimis" aid;
 - e. set up a central EU-wide database in which relevant Member State authorities can consult the identity of undertakings subject to State aid recovery orders as well as the status of recovery proceedings;
5.
 - a. use its powers to suspend payments to the Member States concerned until they have rectified all significant shortcomings, if the ex-ante conditionality concerning State aid is not fulfilled by the end of 2016;
 - b. follow up, every two years, on Member States' capacity to comply with State aid rules by carrying out analyses of, for example, the type, frequency, seriousness, geographical origin and cause of State aid errors detected by the Commission itself or by Member State authorities.

The Commission accepted the vast majority of the recommendations.

The working document is available on the [CONT website](#).

9. ANY OTHER BUSINESS

10. NEXT MEETINGS

- 12 April 2017, 09.00 - 12.30 and 15.00 - 18.30 (Brussels)
- 3 May 2017, 15.00-18.30 and 4 May 2017, 09.00-12.30 (Brussels)

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