

2016 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER CREȚU

Hearing on 20 November 2017

EU 2020 objectives:

1. DG REGIO noted: The convergence process which was halted by the crisis seems to regain momentum.” What are the main findings of the “The 7th Report on Economic, Social and Territorial Cohesion. The future of the European Structural and Investment Funds in our regions”?

Commission's answer:

The Honourable Member is referred to the 7th Report which can be obtained under the following link:

http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf

After an interruption during the economic crisis, we see from the Cohesion report that regional disparities started to narrow again. Yet, many regions still have a GDP per head below pre-crisis levels and unacceptably high unemployment.

The Report also shows that large differences in unemployment and income across the EU encourage people to move. On the other hand, despite the success of cities and towns, these are the places where the risk of poverty or social exclusion is still higher than before the crisis, highlighting that important pockets of poverty exist even in well-off cities. All across the EU, a number of regions are confronted with industrial decline and job losses.

Therefore, the policy should continue to aim at reducing the disparities by offering equal opportunities to people and businesses in all regions, even though with different intensities of financial support. By strengthening cooperation across borders and between regions, as well as the urban dimension within our policy we could further reinforce our approach and target important trends that other policies often neglect.

Cohesion policy should continue to support EU priorities by bringing together responses under various sectoral policies through integrated approaches, and intervenes based on the needs defined by those who know best: the citizens, entrepreneurs and administrations on the ground.

All EU funding, including that for cohesion policy, needs to focus on areas where the highest EU value-added can be achieved. Social inclusion, employment, skills, innovation, climate change, energy and environmental transition are identified by the reflection paper as the main focus of cohesion policy. Cohesion policy has also had a positive impact, in supporting small and medium enterprises, healthcare and social infrastructure, public and smart transport and digital infrastructure.

According to the Cohesion report, innovation in the EU remains highly concentrated in a

limited number of regions. For Europe to be globally competitive, it needs all its regions to continuously adapt and innovate. Cohesion policy should facilitate investment in new technologies for regions to be ready to embrace opportunities brought about by technological change and the transition to a low-carbon and more circular economy.

On the other hand, one should not forget to complement that process with supporting Member States and regions that lose out so that they are able to adapt to industrial transformation and globalisation challenges. With a well-targeted innovation policy based on smart specialisation, fair access to education, training and life-long learning but also to social care, Cohesion policy can help Member States to build resilience.

Recent migration flows have reminded us that cohesion policy needs to become more flexible, for example to play its due role in helping on the reception and long-term integration of legal migrants.

Low quality of government hinders economic development and reduces the impact of public investment. To address this, we need a policy incentivising structural reforms closely linked to the European Semester; a policy that helps us all on the path of good economic governance. We need a better targeted and more coordinated approach to address administrative capacity. The lagging regions initiative was launched specifically to provide assistance in low-growth and low-income regions.

2. DG REGIO failed again to publish, as demanded by the European Parliament over the last two years, the recommendation of the directorate general for the country specific recommendations (CSR). When does DG REGIO intend to comply with Parliament's demand?

Commission's answer:

The European Semester is an annual cycle of economic and budgetary policy coordination in the EU in which guidance is provided to EU countries before they take policy decisions at national level. The guidance is provided in the context of the stability and growth pact and the macroeconomic imbalances procedure. The European Semester also serves to implement the Europe 2020 strategy.

It runs as follows:

- In late autumn, the European Commission publishes its annual growth survey which outlines general economic priorities for the EU for the coming year.
- The annual growth survey is debated by the other institutions and feeds the discussion leading up to the spring European Council.
- In February, the Commission publishes country reports on the overall economic and social developments in each EU country. For some countries, these include in-depth reviews.
- In April, EU countries present national plans. Based on a comprehensive assessment of the economic situation in each country, the Commission then proposes country-specific policy advice for each Member State (in particular: Commission's recommendation for a Council Recommendation on the National Reform Programme and delivering a Council opinion on Stability or Convergence Programme of the respective Member State).
- The recommendations are discussed by the Council and endorsed by the European Council in June, before being finally adopted by the Council (ECOFIN).

- EU countries are expected to reflect the recommendations in their budgetary and policy plans for the subsequent year and to implement them.

The Commission's role in this cycle is exercised collegially under the coordination of the Secrétariat Général and ECFIN. In this respect REGIO contributes to the Commission analysis, however it does not issue recommendations, nor does it publish such in the context of the European Semester.

REGIO however discloses in its Annual Activity Report (AAR) the number of Country Specific Recommendations it contributed to (66 for the 2016 semester process) as well as their distribution by thematic areas and countries. The Honourable Member is referred to question 3 below and REGIO AAR 2017 page 34-35.

3. DG REGIO contributed directly to the analysis or supported the analysis of other DGs that led to 66 "investment relevant" CSRs (an increase from 32 in the 2015 exercise).

MS	Business environment	Education	Energy, resources & climate change	Health & long-term care	Poverty reduction & social inclusion	Public administration	Research & innovation	State owned enterprises	Transport	Grand Total
BE			1				1			2
BG				1	1	1				3
CY	1			1		2				4
CZ	1		1	1	1	2	1		1	8
DE							1			1
DK							1			1
EE						1	2			3
ES						1	2			3
FI	1			1						2
FR							1			1
HR	1					1				2
HU					1	1				2
IE							1			1
IT						1				1
LT				1			2			3
LV				1			1			2
NL							1			1
PL			1						1	2
PT	1			1			1			3
RO	1	1		1		2			1	5
SI	2			1		1				4
SK	2	1		1	2	2				8
UK									1	1
Grand Total	10	2	3	11	5	15	15	1	4	66

What did the 66 CSR recommend?

Commission's answer:

The internal analysis of REGIO indeed identified 66 sub-parts of Country Specific Recommendations (CSRs) relevant for the investments under the ERDF and the Cohesion fund. These 66 sub-parts recommended the following:

AT: Ensure the sustainability of the healthcare system; reduce administrative and regulatory barriers for investments, such as restrictive authorisation requirements and restrictions on legal form and shareholding, and impediments to setting up interdisciplinary companies, in particular in the area of services.

BE: Boost the capacity to innovate, notably by fostering investment in knowledge-based capital; Increase competition in the business services sector and the retail sector by removing unwarranted operational and establishment restrictions; Address shortfalls in investment in energy generation capacity.

BG: Increase the provision of quality education for disadvantaged groups, including Roma; Improve the efficiency of the health system by improving access and funding, and health outcomes; strengthen the capacity of the Public Procurement Agency and contracting authorities and improve the design and control of public tendering procedures; speed up the introduction of e-procurement.

CY: By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments; remove impediments to investment, notably by implementing the action plan for growth, pursuing the privatisation plan and strengthening the national regulatory authorities; take measures to increase access to finance for small and medium-sized enterprises; adopt legislation for a hospital reform and advance with the planned implementation of universal health care coverage.

CZ : sustainability of the public finances, in light of future risks in the area of healthcare; Reduce regulatory and administrative barriers to investment, notably in transport; Reduce regulatory and administrative barriers to investment, notably in energy; increase the availability of e-government services; adopt the outstanding anti-corruption reforms and improve public procurement practices; Strengthen governance in the R&D system; facilitate the links between academia and enterprises; take measures to increase the inclusion of disadvantaged children, including Roma, in mainstream schools and pre-schools.

DE: Achieve a sustained upward trend in public investment, especially in infrastructure, education, research and innovation, by using the available fiscal space and prioritising expenditure.

DK: Enhance productivity and private sector investment by increasing competition in the domestic services sector, in particular by facilitating market entry in retail and construction; incentivise the cooperation between businesses and universities.

EE: Ensure the provision and accessibility of high quality public services, especially social services, at local level, inter alia by adopting and implementing the proposed local government reform; promote private investment in research, development and innovation; strengthening cooperation between academia and businesses.

ES: Enhance control mechanisms for public procurement and coordination of procurement policies across government levels; provide incentives for cooperation between universities, firms and research; Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector.

FI: Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services; promote entrepreneurship and investment, including by reducing administrative and regulatory burden, to foster growth of high value added production.

FR: Take steps to simplify and improve the efficiency of innovation policy schemes.

HR: Improve the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services; Reduce the administrative burden on businesses.

HU: Strengthen transparency and competition in public procurement through e-procurement, increased publication of tenders and further improvement of the anti-corruption framework; take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.

IE: Increase cost-effectiveness of healthcare; prioritise government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing.

IT: Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming local public enterprises, local

public services and the management of human resources; step up the fight against corruption by revising the statute of limitations by the end of 2016; reduce the length of civil justice proceedings by enforcing reforms and through effective case-management.

LT: Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and health promotion; take measures to strengthen productivity and improve the adoption and absorption of new technology across the economy; improve the coordination of innovation policies and encourage private investment, inter alia by developing alternative means of financing.

LU: Remove barriers to investment and innovation that limit economic development in the business services sector.

LV: Improve the accessibility, quality and cost-effectiveness of the healthcare system; pursue the consolidation of research institutions and provide incentives for private investment in innovation.

NL: Prioritise public expenditure towards supporting more investment in research and development.

PL: Take measures to remove obstacles to investment in transport; take measure to remove obstacles to investments in construction and energy infrastructure; take measure to increase the coverage of spatial planning at local level.

PT: Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare; improve the access to finance for start-ups and small and medium-sized enterprises via the capital market; increase transparency and efficiency in public procurement as regards public-private partnerships and concessions; reduce regulatory barriers, especially in business services; incentivise cooperation between universities and the business sector.

RO: Take action to prevent early school leaving and increase the provision of quality education, in particular among Roma; curb informal payments in the healthcare system and increase the availability of outpatient care; strengthen the independence and transparency of human resources management in the public administration; strengthen corporate governance of state-owned enterprises; simplify administrative procedures for business and the public; extend basic infrastructure and foster economic diversification in particular in rural areas; adopt and implement the transport master plan; strengthen public investment project prioritisation and preparation.

SI: Complete and implement the reform of the long-term care and healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care; improve the financing conditions for creditworthy business; and access to alternative financing sources; reduce the administrative burden on business; take measures to modernise public administration.

SK: Improve the cost-effectiveness of the healthcare system; facilitate the employment of women, in particular by extending the provision of affordable, quality childcare; Improve educational outcomes by making the teaching profession more attractive; increasing the participation of Roma children from early childhood in mainstream education; consolidate governance and improve the transparency, quality and effectiveness of human resources management in public administration, in particular by adopting a new civil service act, and the effectiveness of the justice system; reinforce the shift from price only to quality-based competition; improve the prosecution of illicit practices in public procurement; adopt a comprehensive plan to address administrative and regulatory barriers for businesses.

UK: Address shortfalls in network infrastructure investment; address shortfalls in network infrastructure investment.

However all those areas were addressed in the operational programmes either through targeted investment or ex-ante conditionalities, therefore the Commission has come to the conclusion that no re-programming was needed at this stage.

4. DG REGIO claims:” In a number of Member States, including the Czech Republic, Italy, Poland, Portugal, Slovenia and Spain, the need for fulfilment of the energy efficiency ex-ante conditionality gave a significant push to swift transposition of the Energy Performance of Buildings Directives.” How?

Commission's answer:

Those Member States which chose to invest ERDF and the Cohesion Fund to support energy efficiency, smart energy management and renewable energy use in public buildings and in the housing sector, had to fulfil an ex-ante conditionality linked to energy efficiency. The criteria for fulfilment of this ex-ante conditionality are directly linked to the requirements of the Energy Performance of Buildings Directive ('EPB Directive'). The following actions in line with the criteria for fulfilment had to be carried out:

- measures to ensure minimum requirements related to the energy performance of buildings consistent with Articles 3, 4 and 5 of Directive 2010/31/EU;
- measures necessary to establish a system of certification of the energy performance of buildings consistent with Articles 11 of Directive 2010/31/EU;
- measures to ensure strategic planning on energy efficiency, consistent with Article 3 of Directive 2012/27/EU;
- measures consistent with Article 13 of Directive 2006/32/EC on energy end-use efficiency and energy services to ensure the provision to final customers of individual meters in so far as it is technically possible, financially reasonable and proportionate in relation to the potential energy savings.

The Commission shares the view that the introduction of ex-ante conditionalities linking ESIF to the transposition of key articles of the EPB Directive, and specifically to its Articles 3, 4,5 and 11 on minimum energy performance requirements and Energy Performance Certification, has proven to be effective at driving implementation of the main provisions of the Directive.

Indeed, fulfilling the EPB Directive 'ex-ante conditionalities' worked as a pre-condition for funding. As a result, the ex-conditionalities acted as a driver for faster transposition of the relevant parts of the Directive in several Member States. In addition, by supporting key provisions on energy efficiency in buildings we believe it contributed to the efficiency and effectiveness of the investments, providing the best possible framework for the preparation of high quality projects on the ground. In other words, it allowed for a balanced mix of incentives and obligations approach by creating synergies between financial incentives for building efficiency under ESIF, and compliance with the EU obligations on energy efficiency in buildings.

5. DG REGIO commissioned forward looking studies in preparation of the next programming period. What are the first findings which were supposed to become available in early 2017?

Commission's answer:

The following forward-looking studies were already finalised (the Honourable Member is able to access the main conclusions for each study in a form of executive summaries at the links indicated

below):

1. The use of new provisions during the programming phase of the European Structural and Investment (ESI) Funds.
http://ec.europa.eu/regional_policy/en/information/publications/studies/2016/the-use-of-new-provisions-during-the-programming-phase-of-the-european-structural-and-investment-funds
2. The implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment (ESI) Funds.
http://ec.europa.eu/regional_policy/en/information/publications/studies/2016/the-implementation-of-the-provisions-in-relation-to-the-ex-ante-conditionalities-during-the-programming-phase-of-the-european-structural-and-investment-esi-funds
3. The implementation of the provisions in relation to the performance framework during the programming phase of the European Structural and Investment (ESI) Funds.
http://ec.europa.eu/regional_policy/en/information/publications/studies/2016/the-implementation-of-the-performance-frameworks-in-2014-2020-esi-funds
4. Setting up a database to assess impacts and effects of certain thresholds and limits in Regulation (EU) No 1303/20131 (CPR)
http://ec.europa.eu/regional_policy/en/information/publications/studies/2016/setting-up-a-database-to-assess-impacts-and-effects-of-certain-thresholds-and-limits-in-regulation-no-1303-2013-cpr
5. The implementation of the partnership principle and multi-level governance during the programming phase of the European Structural and Investment (ESI) Funds.
http://ec.europa.eu/regional_policy/en/information/publications/studies/2016/implementation-of-the-partnership-principle-and-multi-level-governance-during-the-2014-2020-esi-funds
6. The use of new provisions on simplification during the early implementation phase of the European Structural and Investment (ESI) Funds.
http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/use-of-new-provisions-on-simplification-during-the-early-implementation-phase-of-esif
7. Study on Improving the take up and effectiveness of financial instruments
http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/improving-the-take-up-and-effectiveness-of-financial-instruments

The following studies are on-going:

8. Effective and efficient delivery of European Structural and Investment Funds investments – Exploring alternative delivery mechanisms
9. Feasibility study for a potential use of budget support in the delivery of the European Structural and Investment Funds
10. Study on Coordination and harmonisation of the ESI funds and other EU instruments
11. Support of European Structural and Investment Funds (ESI Funds) to the implementation of the Country Specific Recommendations and to structural reforms in Member States.

6. “ECA Special report No 2/2017: The Commission’s negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion” states that an unnecessarily high number of performance indicators have been developed and performance measurement is not harmonised between the funds. Is the Commission working on a common definition of “output” and “result”? How does the Commission envision the aggregation at EU level of the specific performance indicators created by the Member States?

Commission's answer:

Under the ERDF and Cohesion Fund programmes for 2014-2020 there were important improvements in the list of agreed EU common indicators. These indicators cover an estimated 60-70% of all investments and the indicators (both targets and monitoring values from implementation) can be aggregated and are published on the ESIF Open Data Platform (<https://cohesiondata.ec.europa.eu/> => "achievements").

It is true that a large number of specific output indicators (national or regional) are used by the programmes where relevant common indicators are not defined. In that way, the full set of output indicators cover practically all actions of each programme. The Commission and the programme tried to limit the number of such indicators but ultimately three factors led to the large number of specific indicators finally agreed: 1) the relatively limited number of common indicators agreed; 2) the wide thematic scope of the ERDF (in particular) and 3) differences in national and regional indicators systems.

By definition specific output indicators cannot be aggregated and have limited use at EU level. However, these specific indicators play an important role at national or regional for the specific programmes, they are often used in the Performance Frameworks and they provide important information in the context of programme specific impact evaluation.

By design, and in line with the legal provisions set by the legislator, all ERDF and Cohesion Fund result indicators (policy/impact indicators) are specific to the Member State or region concerned. The ERDF/Cohesion Fund result indicators were not meant to be aggregated but to be used by the programmes in the context of monitoring and the evaluation of the impact of the programmes.

Concerning post 2020, preliminary technical work is underway. The recently revised Better Regulation Guidelines and Toolbox of 7 July 2017 provide definitions for the different types of indicators and clearly distinguish between output indicators (relating to the specific deliverables of the intervention) and result indicators (matching the immediate effects of the intervention with particular reference to the direct addressees).

The Commission is currently taking stock of the characteristics and uses of indicator systems within the different Funds for the 2014-2020 programming period. The preliminary results of the work indicate that in the majority of cases, the ESI Funds indicators used in the 2014-2020 period are specific to the programme and offer limited possibilities of summarising and comparing results at Member State or EU level. For this reason, the Commission has launched a number of studies aiming at exploring different possibilities for establishing a more streamlined, simplified and harmonised monitoring, reporting and evaluation system across ESI Funds for the post-2020 Multi annual Financial Framework (MFF). In that context, REGIO and EMPL are comparing the 2014-2020 systems and examining the feasibility of greater standardisation of indicator concepts and indicator definitions. Conclusions from that work will be influenced by high level decisions on the future MFF including on 1) the future high level EU objectives, 2)

the structure of the future budget and 3) the indicator concepts to be used (cf. Better Regulation Agenda 2015). The Commission intends to submit its proposals for the future MFF soon after the publication of its proposal for the MFF planned for May 2018.

To sum up, the Commission is working on shaping a robust and efficient system of performance indicators for the EU Budget and is also exploring the possibility to proceed towards a harmonisation of the main concepts across sectorial legal bases in the context of the post 2020 discussions.

7. It is noteworthy that there is some considerable progress with regard to the key performance indicators (KPIs) when it comes to economic, social and territorial cohesion. However, the DG REGI states in its AAR 2016 that the target values for the KPI 4, namely for the objective of supporting the shift towards a low-carbon economy, are unreliable due to errors in measurement units in some Member States. How is the Commission going to measure performance without establishing a target value? How is the data reliability going to be improved? Finally, how is the Commission going to ensure that the cohesion policy and budget, notably ERDF and CF, are living up to the citizens and the policy makers' expectations regarding the shift to a low-carbon economy?

Commission's answer:

The data disclosed for key performance indicator 4 (KPI 4) in the Annual Activity Report 2016 (global achievements, target values) relate to the 2017-2013 period. For that period the use of core indicators and the setting up of targets by programme authorities were not compulsory. REGIO however carried out quality reviews on the performance data reported by the Member State in order to improve their reliability. For this KPI, it was unfortunately not possible to assess a correct figure for the target value.

The 2007-2013 limitations have been addressed with the new regulatory provisions introduced for the 2014-2020 period (compulsory use of common indicators with baselines, milestones and targets, EU-wide uniform measurement standards, unreliability of data considered as a weakness in the management and control system).

Setting target values for ERDF/Cohesion Fund common and specific output indicators are an obligation for the 2014-2020 period. Regular reporting and monitoring of the indicator targets set compared to progress reported in implementation allows the Commission and the programmes to identify areas where target values need to be adjusted (wrong measurement units, low initial targets) or implemented values raise plausibility issues.

Where changes to targets are needed, programme authorities discuss them with the Commission and then formal modifications are introduced. In the context of the overall review of negotiations in late 2015 a small number of target values for renewable energy capacity were identified and raised with the programmes concerned (megawatt/hours or kilowatts used for target setting rather than the correct megawatt capacity). In all cases the target values have already been modified or will be modified with the first modification.

The 2017 Strategic Report (and supporting package, including the ESIF Open Data Platform) clearly show the main common indicators used under the low carbon thematic objective and progress towards targets (<https://cohesiondata.ec.europa.eu/themes/4> =>

"Achievements"). The annual iteration of the monitoring of implementation progress is expected to lead to increasingly accurate information on targets and progress towards targets. The Commission is presenting annual implementation reports to the EU institutions (as defined in the Common Provisions Regulation in its Article 53).

Management and control systems

8. According to the Court of Auditors the main source of error was the inclusion of ineligible costs, which accounts for approx. 2 percentage points of the estimated level of error. Could you already identify those cases and their problems? What kind of costs were concerned? What actions will be taken by the Commission?

Commission's answer:

The European Court of Auditors (the Court) has presented in Annex 6.3 of its 2016 annual report ineligible costs it had identified in its audits (examples 1 to 6).

Cases refer to ineligible VAT, lack of funding gap calculation, wrongly applied financial correction, non-compliance with the grant conditions. The Commission will follow-up the cases identified by the Court and will propose action as it deems necessary, namely proposing financial corrections to the programme authorities to ensure that none of the amounts found to be irregular is reimbursed at the closure of the concerned 2007-2013 programmes. In relation to VAT the Commission agreed to a Court's recommendation to issue further guidance to Member States.

9. What is the share of public procurement tenders for EU funded projects with single bidder in each Member State in 2016?

Commission's answer:

Indicators relating to the ratio of single bidders as a share of all contracts awarded through public procurement may provide an insight into transparency, competition and potential corruption. The Honourable Member is referred to the 7th Cohesion report - page 158 - for detailed maps presenting the share of single bidder tenders in EU 28 regions, based on recent research commissioned by DG REGIO on information published in the Tenders Electronic Daily (TED) database:

http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf

As shown in the 7th Cohesion report, the single bidder-ratio varies significantly across regions (Map 4.3). The cases with only one bidder exceed 40% in many regions in Poland, Slovakia, Greece and Italy. In regions in Sweden, Ireland, UK and Denmark, the ratio rarely exceeds 10%, pointing towards more competitive markets and less risk of corruption. The single bidder ratio shows wide regional differences in Romania, Bulgaria, Poland, Hungary, the Czech Republic and Spain, whereas in Sweden and Greece, there is almost no variation.

Between 2007 and 2015, the ratio declined markedly in Lithuania, Latvia and in many regions in Poland, the Czech Republic and Slovakia (Map 4.4). By contrast, in Greece, Italy and Estonia — countries with high levels of single bidding — the proportion of contracts issued where there was only one bid increased.

10. Did you find any indications of forming of cartels among bidders in public procurement procedures?

Commission's answer:

Forming cartels in public procurement procedure (bid-rigging) is one of the issues under scrutiny when checks and controls take place, both at national and EU level. In such cases, appropriate financial corrections have been to be requested by the Commission services, since, as a general rule, where there is bid-rigging in a public procurement, there is an impact on the budget of the Union due to the restriction of competition.

Last year REGIO interrupted payments to five programmes in Greece (four programmes of period 2007-2013 and one programme of period 2014-2020) due to bid-rigging detected by the Hellenic competition commission in procurement procedures for large infrastructure projects. A reservation has been issued in the 2016 AAR (see Annex 7A of the 2016 AAR for more details) and appropriate financial corrections were requested. Some of these corrections have been already accepted and implemented by the Greek authorities.

Another case of bid-rigging was detected by the Spanish authorities (the National commission for markets and competition – CNMC) among companies contracted by ADIF for high speed rail projects. ADIF is a State owned company under the responsibility of the Ministry of transport and was an important beneficiary of EU funds in the period 2007-2013. Bid-rigging was confirmed in five contracts and the national authorities have already applied some financial corrections. The Commission services will assess during the closure of the respective programme whether these corrections are sufficient or not. If not, they will apply additional financial corrections, as deemed necessary.

11. How widespread is the practice of modifying or extending the contract after signature without re-launching the procedure?

Commission's answer:

The Honourable Member refers to the fact that the public procurement Directive's define clearly in which cases contracts can be modified or extended without re-launching a procedure (without publication). If these conditions are not met (i.e. modification due to unforeseen circumstances, modification below 50% of the initial contract...) there is a breach of public procurement rules and appropriate financial corrections are applied following detection of the irregularity by managing authorities or (national and EU) auditors. The 2014 public procurement Directives give more flexibility for modifications of contracts without relaunching the procedure.

Indeed the practice of modifying or extending the contract was rather frequent and widespread in some Member States during the 2000-2006 programming period. The Commission took actions to tackle the issue and imposed important financial corrections in that regard. This has led to limit such practice during the 2007-2013 programming period until now.

Illegal modification of contracts remains however a rather frequent irregularity found in the Commission's and national audits. The frequency of this irregularity, and others, will be as from now more systematically traced thanks to the adoption of a common typology of errors that the Commission has recently shared and agreed with audit authorities to be used for EU and national reporting. The Commission will therefore be able to aggregate such data at European level and analyse it. This is a follow-up to a recommendation issued by the European Court of Auditors (SR24/2016) and the Parliament.

In addition, the Commission has developed and offers to Member States free of charge the risk scoring data mining tool ARACHNE. One of the red-flag indicators in ARACHNE is contract modifications and therefore provides to programme authorities a tool to further prevent illegal contract modifications. When a managing authority or other body uses ARACHNE, it can identify and follow more closely the risks related to contract modifications.

12. What were the preventive and corrective actions taken by the Commission in order to address the problem of non-compliance with EU or national public procurement rules?

Commission's answer:

To address the risk of non-compliance with public procurement rules, REGIO has launched a Public Procurement Action Plan in 2014 and implemented jointly by the four Directorate-Generals managing ESI Funds (REGIO, EMPL, AGRI and MARE), the main policy lead DG (GROW) and the European Investment Bank. The plan was updated in March 2017. The action plan contains 18 actions of which 7 have been completed and 11 are being implemented. The following main actions are included:

- Update of the Public Procurement Guidance for Practitioners on the avoidance of errors in ESI- funded projects published in October 2015 in all EU languages; the guide is currently updated taking into consideration the new public procurement directives and will be available by the end of the year;
- Monitoring of national action plans for all countries non-compliant with the Public procurement ex-ante conditionality;
- Assessment of current practices and need for professional training and qualifications in public procurement, provision of training for Member State administrations; launch of a new training module on public procurement in cooperation with European Institute of Public Administration for practitioners in implementing cohesion policy (2 day trainings in Brussels).
- Exchange of good practices, e.g. on the topic of public procurement, between programme authorities' cohesion policy experts in Member States via the TAIEX-REGIO PEER 2 PEER exchange tool;
- A public procurement stock-taking study which includes more than 50 good practice examples in public procurement across the EU has been widely disseminated. It also contains 28 country profiles with concrete recommendations; if Member States want to follow up on this they are encouraged to use the technical assistance available in their programmes. Some of these good practices are now elaborated in feasibility studies and are offered to other Member States that want to apply such practice in their country; for

some countries the possibility of roadmaps is offered.

- Targeted support in cooperation with OECD to particular Member States: SK and BG;
- Implementation of phase 2 of the Integrity Pacts, which is a tool to improve transparency and accountability in public procurement, in cooperation with Transparency International with 17 EU-funded projects in 11 voluntary Member States (BG, CZ, EL, HU, LT, LV, SI, PT, RO, IT, PL). Integrity Pacts have been signed for 13 projects, and the 4 remaining ones are expected to be signed before end 2017.

Moreover REGIO consistently imposed financial corrections for non-compliance with public procurement rules in this area. The first guidelines on flat rate corrections based on audit findings were officially issued in November 2007. These guidelines were update in December 2013 through the Commission decision and are now applicable to all shared management areas, including agriculture area as requested by a previous Discharge recommendation of the European Parliament. These guidelines and flat rates to be used for financial corrections are also used by many Member States, in particular by audit authorities in auditing samples of operations and for recommending financial corrections to programme authorities. In the meantime, these guidelines are in the process of being updated in order to take account of the 2014 Public procurement directives and of new types of breaches identified in EU and national audits.

13. At the date of the publication of the Court's annual report several Member States still did not transpose some of the three directives aimed at simplifying public procurement and making them more flexible. (6.17 ECA annual report) Which Member States continue to fail with their obligation to comply with the transposition? What is the latest state of play concerning the infringement procedures against these countries? Has there been any progress achieved?

Commission's answer:

The situation in terms of transposition has improved since, as of November 14, 2017, 23 Member States have complied with their transposition obligations for all three Public Procurement and Concessions Directives. As for the five still defaulting Member States, the state of play is the following: two Member States (Bulgaria and Slovenia) still have to transpose the Concessions Directive 2014/23/EU only, one Member State (Spain) still has to complete transposition for the Concessions Directive 2014/23/EU and the Utilities Directive 2014/25/EU, while two Member States (Luxembourg and Austria) still have to do so for all three Directives.

As regards the related infringement procedures opened against these five Member States, the replies to the reasoned opinions and latest developments are being examined by the Commission in view of the referral to the Court of Justice with imposition of financial penalties as provided for by the Treaty.

14. In the annual report, there are reservation concerning the ERDF/Cohesion Fund management and control systems for the period 2007-2013 for : 66 programmes in Belgium, Croatia, Czech Republic, Germany, Greece, Estonia, Hungary, Italy, Ireland, Poland, Romania, Slovakia, Spain, the UK and some ETC programmes. For each programme included in the reservation, with the aim to obtain assurance that the required corrective measures have been completed, the Commission will analyse the Final Control Reports received by 31 March 2017 and if needed request Member States to perform additional audit work and/or apply additional financial corrections. Could you please provide a follow-up on the situation at the end of September?

Commission's answer:

All final control reports have been received by the closure deadline (31 March 2017) and have been assessed by REGIO with assessment letters sent to Member States by the regulatory deadline of 31 August 2017. On this basis, some reservations could be lifted when the Commission has obtained assurance that the appropriate financial corrections were made. As of the end of October 2017, 6 reservations are thus considered lifted. These programmes are:

- ETC – OP Botnia_Atlantica (2007CB163PO028)
- Poland – OP Dolnoslaskie (2007PL161PO005)
- Poland –OP Opolskie (2007PL161PO012)
- Greece - OP Environment (2007GR161PO005)/Attica (2007GR161PO006)/Macedonia-Thrace (2007GR161PO008) following the satisfactory treatment of the Cartel case (cf. reply to question 10).

For the 60 remaining 2007-2013 programmes under reservation, the replies of the authorities to our assessment letters are still expected or being assessed. For these cases the Commission has not yet obtained the required assurance that appropriate corrections have been applied. REGIO estimates that the majority of these reservations should be lifted in 2018, some of them on time for reporting in the 2017 annual activity report that will contain a fully updated state of play of these reservations.

15. Can the Commission provide amount of requests to Member States to carry out additional verifications in 2016? Could the amount be provided per Member state?

Commission's answer:

In its 2016 AAR REGIO issued reservations for 66 Operational programmes, from which 49 refer to deficiencies in management verifications:

Member State	BE	DE	EE	ES	HR	HU	IE	IT	PL	RO	SK	UK	ETC	Total
Number of OPs affected	1	1	2	17	1	6	1	4	3	3	1	2	7	49

Source: AAR 2016, DG Regional and Urban Policy, page 38-44 (Annex 7A)

In all concerned Member States and programmes, as this has been the case for interruptions/suspensions and reservations in previous years, action plans were requested to carry out additional verifications and improve management verifications.

In addition, in those Member States where the Commission or national audits assessed the management and control systems and in particular management verifications as "working but some improvements are needed" (category 2 in the audit classification meaning that the functioning of the system is still acceptable pending some improvements without however material impact on declared expenditure), recommendations were also made in the corresponding audit reports to further improve the weaker areas identified.

16. Did the introduction of ex-ante conditionalities prolong the programme designation process?

Commission's answer:

No, ex-ante conditionalities and designation of programme authorities are two different processes, which run independently.

Member States must designate the managing and certifying authorities responsible for implementing ERDF/Cohesion Fund programmes before any payment claim can be sent to the Commission. Designation is validated by an independent audit body (usually the programme audit authority) against designation criteria defined in the regulation (Annex XIII of Regulation (EU) 1303/2013). Ex-ante conditionalities, if not fulfilled at programme adoption can trigger action plans and eventually suspension procedures if not implemented by the regulatory deadline of December 2016, but this did not impact on designation.

17. Designations for mainstream programmes for which DG Regional and Urban Policy has the lead were pending at the end of 2016. The desk-review and the fact-finding missions have confirmed that the main difficulties identified in the designation process relate to (a) the set-up of IT systems to feature the new elements of the 2014-2020 period in terms of reporting and (b) the design of procedures to ensure a robust supervision of managing authorities over intermediate bodies. What was done about it?

Commission's answer:

The Honourable Member is informed that as mid-November 2017, Member States have designated 87% of authorities covering more than 98% of ERDF/Cohesion Fund allocations. Only 38 programmes - for less than 2% of the ERDF/Cohesion Fund allocations - cannot submit payment applications until notification of designation. Most of these programmes concern European Territorial Cooperation with very limited allocations. And all programmes but two are expected to have designation completed before the end of this year.

In the case of ESF/Youth Employment Initiative (YEI), Member States have designated 95% of authorities by the same date and the remaining programmes are expecting designation before the end of this year.

Faced with delays and difficulties encountered, the Commission has indeed taken several actions to ease the designation process. It assessed the blocking factors and on this basis provided a 'Questions and Answers' document to Member States to clarify potential blocking issues. It clarified in particular:

- the IT systems requirements (due to the modifications required in the IT systems for 2014-2020 and the minimum requirements that such IT systems needed to fulfil in its view at designation stage), and
- the fact that only managing and certifying authorities and not their intermediate bodies are part of the designation process: programme authorities had to ensure they had procedures in place to monitor and supervise the work of any potential intermediate body but the appointment of such intermediate bodies is a national process that can intervene at a subsequent stage of the designation.

REGIO has been closely cooperating with Member States to identify and remove any difficulties and bottlenecks which have delayed the designation process, in line with the above 'Questions and Answers' document. The issue was also addressed throughout the years in technical meetings with Member State authorities, including with the independent audit bodies (audit authorities) in charge of providing opinions on designation, and in monitoring committee meetings.

18. Could the relatively slow pace of designation of programme authorities by the Member States be explained by the desire to absorb 100% from previous programming period? Isn't the slow designation a deliberate move by some Member States in order to fully absorb the available amounts from the last period?

Commission's answer:

REGIO is not aware of cases of deliberate delay of the designation process. It is a fact that Member States had to address simultaneously the closure of the previous programming period and the adoption and start of programmes for 2014-2020 and. This

has certainly put a strain on available administrative resources in the Member States and priorities had to be phased for all programme authorities.

The Commission has identified several reasons for delays in designation. The Honourable Member is referred in that respect to the Commission's replies to questions 17 and 19.

19. The Court stated. "Three years after the start of the 2014-2020 period, the Member States have designated only 77 % of the programme authorities responsible for Cohesion policy funds. As of 1 March 2017 the Commission received final accounts with expenditure covering just 0,7 % of the budget allocated for the entire programming period. As of mid-2017, the delays in budget implementation were greater than they were at the same point in the 2007-2013 period." Have all programme authorities been designated? What measures does the Commission take to avoid an enormous payment backlog at the end of the programming period?

Commission's answer:

The Honourable Member is referred to the Commission's answer to questions 17 and 20 for the state of designation at mid-November 2017. Designation is now almost completed and is not an obstacle to payments any longer.

Slow absorption in the first years of a programming period reflects the policy cycle. This was also seen in the previous programming periods. For the 2007-2013, almost half of the expenditure was declared only in the last three years of implementation (although almost full absorption was reached by closure).

However, the Commission acknowledges that delays in payment declarations are higher in the first years of this programming period compared to the previous one, despite a good rate of implementation on the spot, as illustrated by a project selection rate of 44% for all Cohesion Policy funds. Such a selection rate is even better than for 2007-2013 at the same point in time. Apart from the delayed adoption of the Multi annual Financial Framework (MFF) and of programmes, the Commission sees three features of the 2014-2020 regulations that provide less incentive to Member States for budgetary discipline. First the n+3 automatic de-commitment rule introduced by the co-legislators (compared to n+2 in previous programming period) does not provide an incentive for timely declarations of payments. Member States have more time to submit expenditure to the Commission than in the previous period. However, this automatic de-commitment rule should still contribute to avoid an abnormal payment backlog at the end of the programming period. Secondly, Member States are very cautious due to the introduction of annual accounts and the risk of net financial corrections by the Commission. They seek to carry out all required verifications before they certify expenditure in the accounts. Thirdly, additional time was required at the start of the programming period to put in place new measures that increase the quality and compliance of programmes and projects, such as ex-ante conditionalities or designation.

The Commission reminds Member States about the impetus to declare expenditure at each occasion. The four Commissioners in charge of ESI Funds wrote to the Ministers of Finance in the Member States in the summer to urge them to respect their payment forecasts and claim expenditure.

The Commission services also provide substantial support to Member States' authorities

including technical assistance and advisory services (Peer-to-Peer, JASPERS, TAIEX) in order to improve their capacity to implement the Funds and to ensure a robust project pipeline.

Programmes considered at risk or having indicated difficulties are being closely monitored at the level of the management board of REGIO. Action plans are put in place for these programmes and monitored through technical meetings. Support also includes targeted advice and dialogue with national authorities, and closer follows up on implementation in case of identified weaknesses. Action is also taken at Member State level – a Task Force was created for Croatia and a special action plan was developed for Romania.

The Commission will continue to monitor the pace of implementation and to support Member States in removing all remaining bottlenecks. The Global Margin for Payments available in this MFF should ensure that the full payment ceiling is available. In this respect, more flexibility for the remaining years of the 2014-2020 MFF was provided by the mid-term revision of the MFF. Moreover, the pressure on the payment ceiling in 2019 and 2020 is not as high as initially anticipated and the Commission should be able to meet the payment needs in 2019 and 2020. No abnormal backlog in payment claims at the end of this MFF is expected if the budgetary authority authorises sufficient payments in line with the needs.

20. Could the Commission provide us a table by country of the calendar of nominations of national/region responsible authorities for Cohesion Funds, which is needed to start with the implementation?

Commission's answer:

The tables below summarise the status of designation for ERDF/Cohesion Fund programmes, (including in parentheses the number of programmes concerned out of the total number of programmes in the country for which REGIO is chef de file), as well as the expected notification schedule:

Status	N° of ERDF/CF programmes	Member States
Designation completed	257 programmes (87% of OPs 98% of allocations)	all programmes covered for: BE, BG, CY, CZ, DK, EE, EL, ES, FR, HR, HU, IE, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK DE (11/16), FI (1/2), IT (26/28), ETC (47/76), IPA-CBC (7/10)

Planned notification of designation	No of programmes	Member States concerned
4th quarter 2017	33 (<2% of allocations)	AT (1/1), DE (2/16), FI (1/2), IT (2/28), ETC (24/76), IPA-CBC (3/10)
1 st or 2nd quarter 2018	5 (<0.1% of allocations)	ETC (5/76)

The tables below summarise the status of designation for ESF/YEI programmes:

Status	No of programmes	Member States concerned
Designation	101 programmes (95% of OPs)	all programmes covered for: AT, BE, BG, CY, CZ, DK, EE, EL, ES, FI, FR, HR, HU, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK DE (13/16), IE (0/1), IT (22/23)

Planned time of notification	No of programmes	Member States concerned
4th quarter 2017	5	DE (3/16), IE (1/1), IT (1/23)

21. For how many of the approved OPs in the programming period 2014-2020 has the Commission received notice of complete designation at the end of 2016? What are the problems in the Audit Authorities in the Member States in the designation process?

Commission's answer:

The Honourable Member is referred to the Commission's answers to questions 17, 19 and 20.

The Commission would like to clarify that the problems for designation are not necessarily linked to the audit authorities (or independent audit bodies as they are called for this exercise) that provide an independent audit opinion on the designation based on a system description and set of procedures that need to be established by candidate managing and certifying authorities. The difficulties were linked to the capacity of some national administrations to timely set up an effective and convincing programme delivery mechanism that fulfils all designation criteria. Delays in defining the management and control systems and corresponding procedures also had a knock-on effect on work priorities of audit authorities who had to finish audits and provide audit opinions in view of the closure of 2007-2013 programmes by 31 March 2017.

22. How is it possible that at the end of 2016, two years after the beginning of the current financial period, only 26,1% of the programmes had been selected. What did the Commission undertake? Where do we stand today?

Commission's answer:

The Commission understands the question of the Honourable Member as relating to project selection.

The Commission notes the project selection rate for Cohesion Policy programmes significantly increased in 2017 compared to 2016. For all Cohesion Policy funds (ERDF/ESF/YEI/CF), the project selection rate reached 44% at the end of October 2017. This corresponds to almost EUR 110 billion of funding from ERDF/Cohesion Fund programmes allocated to almost 140.000 operations and 40 billion of funding from ESF/YEI allocated to almost 415.000 projects. Some countries have doubled or tripled their rate of selection compared to the beginning of this year, which indicates that implementation of the programmes has speeded up considerably.

For ERDF/Cohesion Fund programmes only, the selection rate is even slightly better than for 2007-2013 at this point in time.

The Commission underlines that progress on implementation and absorption varies a lot across Member States and sectors. This shows that Member State-specific factors, including the capacity of the administration to set up an effective programme delivery mechanism, are playing an important role.

The Commission services provide substantial support to Member States including technical assistance and advisory services (for instance JASPERS meetings with Member States, Peer2Peer exchange of good practices and expertise under REGIO TAIEX) in order to improve their capacity to implement the Funds. Low-performing programmes are a priority for REGIO and active engagement of senior management is ensured with special monitoring established at the level of the management board (see also Commission reply to question 19).

In addition, there is a strong cooperation among the Directorates general in charge of ESI Funds. A Stock-taking group, meeting weekly, serves as a platform for coordination of positions among the ESI in order to ensure a smooth joint management of the Funds.

23. The Court concluded in its Special Report 36/2016 that "closure did not coincide with either the end of the programme period or the end of the eligibility period. Because closure can take years to complete, overlaps between different periods and difficulties in following up activities from earlier years pose a risk to effectiveness. In addition, being able to spend a budget two or three years after the end of a programme discourages starting work on the next period." How did the Commission take into account in its legislative proposals these findings of the Court?

Commission's answer:

The Commission will carefully assess the issue in view of its post 2020 legislative proposals which are expected soon after submission of the Multi annual Financial Framework (MFF) proposal.

Moreover, the Commission would like to reiterate its replies to the European Court of Auditors (the Court) Special Report 36/2016 and underline that it considers the overlap between two programming periods justifiable, given that many operations take several years to be implemented and that there will always be a start-up phase and wrapping up phase. The closure process started before the end of the eligibility period and has been in full swing immediately when the eligibility period ended end of 2015.

Member States were given two extra years (three years in case of 2014-2020 programmes) to implement their programmes. This contributed to completion of the required controls in view of closure and better absorption of the programmes, taking account of the need for multiannual projects to be implemented. Despite the pressure and workload on authorities involved, this overlap enables better transition between periods.

The Commission is of the view that discontinuing the overlap of eligibility periods would result in less policy implementation. The Commission believes there is however a need for balanced administrative burden and notes that the regulation for 2014-2020 foresees a less cumbersome and resource-intensive closure exercise due to the introduction of annual accounts (the closure of programmes will correspond mainly to the clearance of the last annual accounts in 2023).

24. The move away from the reimbursement of the costs in favour of payments based on project performance is a welcome development. Parliament has been in favour of linking the level of payments to performance instead of simply reimbursing costs. However, this will be a challenge given that only one third of the projects examined by the Court in 2016 had a performance measurement system with output and result indicators linked to OP objectives. What are the tools at the disposal of the Commission to ensure sound and efficient financial management in the use of EU funds? How can the Commission ensure that projects with EU added value are selected and approved by the managing authorities?

Commission's answer:

The Commission has proposed in the Omnibus Regulation (giving effect to the conclusions of the Multi annual Financial Framework mid-term review) the introduction of the concept of "payments based on results" for the remainder of the 2014-2020 programming period. The introduction of such an option is a novelty and has yet to be implemented. In order to allow the exploitation of this option still during the in the period 2014-2020 the Commission is in the process of developing a draft Implementing Act to be proposed once the legal base is in place. That legal act will outline how "results" or deliverables can be defined and applied coherently across different thematic, administrative and territorial contexts.

For 2014-2020 the principle of payments based on reimbursement of costs will continue to be the principal mode of payment. It is not the intention of the Omnibus to fundamentally change the reimbursement method for all actions. The Commission considers that performance information is not and should not be the only element driving budgetary decisions, and therefore it is normal that other information is considered as well.

Through the programming architecture pre-defined for 2014-2020, the performance of ERDF and Cohesion Fund programmes is overseen by the Commission through the result orientation at the programme level, rather than at project level. The result orientation of each programme is constructed of priority axes, composed of investment priorities with specific objectives. The approach for the period 2014-2020 to assessing the effective and efficient implementation of the programmes relies on 1) regular monitoring, 2) the conduct by the programmes of impact evaluations during the period (a new obligation for 2014-2020) and 3) impact evaluation by the Commission (see forthcoming staff working document supporting the Strategic report 2017). Furthermore, through the introduction in the 2014-20 period of ex-ante conditionalities linked to the investment priorities, the projects selected should be better tailored to the socio-economic context at the European, national and regional level.

This approach during 2014-2020 contains important elements designed to ensure that projects with EU value added are selected and implemented. While it is the Member States' responsibility under shared management to select operations and monitor the implementation and contribution of those operations to the objectives, they do it within the thematic concentration requirements established in the regulations and in line with the requirements set in the operational programmes which are negotiated and approved by the Commission and in compliance with selection criteria set by monitoring committees. The programmes include tailor-made provisions defining scope of support, as well as

principles for selection of operations. Fulfilment of all these requirements is subject to rigorous audits including at project level. These requirements are tailor-made to specific types of projects and national circumstances providing a more effective solution than obliging Member States to report at project level on the outputs and results. Introduction of such an additional requirement would involve an unprecedented increase in administrative burden (during 2007-2013 around 1.4 million projects were supported).

Regarding the last part of the question, EU-added value is checked at different stages of the programme cycle. First of all, at the stage of programme design, the Commission's Impact Assessments verify whether Member States alone could resolve a problem sufficiently; whether the EU has the competence to act (i.e. a legal basis), and would be best placed to do so (principle of subsidiarity). The added value of EU interventions is also looked at by the co-legislators when approving the financial programmes under the Multi annual Financial Framework.

When it comes to the selection of individual projects under shared management, any assessment of EU-added value is indeed the responsibility of Member States. It is up to the Commission to monitor whether programme implementation is in line with the funding priorities agreed with the Member States. Then at the stage of evaluating programme performance, EU-added value is one of the mandatory assessment criteria applied to all Commission evaluations under the Better regulation Guidelines¹. Under this criterion it is assessed whether programme action continues to be justified at the EU level.

25. What do you think about doing away with the n+2, n+3 rule?

Commission's answer:

The Commission underlines it will publish its legislative proposals in 2018, soon after publication of its proposal for the Multi annual Financial Framework. The Commission sees merits in applying an automatic de-commitment rule. Spending discipline is necessary for an effective implementation of the EU budget. Transitional arrangements and overlapping periods are needed in order to ensure a smooth continuation of the policies and better programme implementation. The additional time granted to claim funds in the 2014-2020 period (from the n+2 rule to the n+3 rule) has provided more flexibility to implement programmes and ensure the achievement of policy goals, although it has also provided less incentives for national administrations to claim expenditure quickly. This may be considered one of the main causes for slow absorption so far (see also the Commission's reply to question 19). The Commission will take into account the pros and cons linked to the n+2/n+3 de-commitment rules before proposing the legislative framework for post-2020.

¹ SWD (2017) 350, https://myintracomm.ec.europa.eu/sg/better_regulation/Pages/guidelines-toolbox.aspx

26. What has been done to improve the exchange of best practices and flow of information between different audit authorities, notably with a view to avoid double auditing?

Commission's answer:

To avoid double auditing, the Commission implements actively under Cohesion Policy the single audit principle. This is a major feature underlying its Single Audit Strategy for the funds managed under shared management by REGIO, EMPL and MARE for the 2014-2020 programming period.

Single auditing means that the EU level seeks to rely on the work carried out at national level by audit authorities to avoid unnecessary duplication of audit activities at the level of administrations and beneficiaries and carries out its own audits at the level of authorities/beneficiaries only when it cannot yet rely on audit results communicated by audit authorities. This is for example typically the case at the start of the programming period.

Audit authorities are appointed for each programme. They are the first layer of assurance and have set the appropriate capacity to deliver on their regulatory obligations and perform significant audit work covering all programmes. Reliance on the work of the audit authorities is crucial for the Commission as it can base its assurance on a large number of existing audit results, both system audits on management and control systems (over 500 audit reports received by REGIO and analysed each year) and audits on representative samples of operations at the level of beneficiaries, complemented by its necessarily limited own thematic or targeted audits to ensure that no serious deficiencies remain uncovered or uncorrected by the Member States when submitting the accounts. Single auditing therefore also constitutes an efficient use of resources.

However, the Commission underlines that before relying on an audit authority, it needs to obtain assurance on the quality of its work. Thus the Commission reviews its audit methodology and procedures and it also re-performs audits of the audit authorities on the spot, where necessary. Once the Commission confirms its audit results, it can rely on the audit authority. For ERDF/Cohesion Fund programmes, 95% of appointed audit authorities were already in charge in the previous programming period. The Commission has therefore increased assurance that it can count with the work of experienced and reliable audit authorities from the start of the programming period. It will continue to monitor the continuous quality of the audit work reported, based on its risk-assessment updated each year.

Finally, the 2014-2020 regulation provides further possibilities to apply the single audit principle (alleviating some restrictive conditions of the previous period) and also contains requirement for avoiding repetition of audits at the level of individual projects, particularly with a view to ensure only one audit in the life time of smaller operations. The single audit approach is completed by general and targeted capacity building actions with the ESIF audit community, including the promotion of direct exchange of expertise and good practices through the TAIEX Peer-to-Peer instrument under technical assistance.

For more information about the Single Audit Strategy of REGIO, EMPL and MARE the Honourable Member is invited to consult the section "*A system under constant monitoring: Commission's desk and on the spot audit work to implement the 2014-2020 Single Audit Strategy*" on pages 49-50 of the 2016 Annual Activity report of REGIO.

The Commission also refers to its reply to question 35.

27. How can the procedures for application and authorisation of EU funding of different managing authorities within a Member State (national, regional, local level, for instance) and between Member States be aligned based on an exchange of best practice and experiences?

Commission's answer:

Under shared management it is the responsibility of each Member State to ensure appropriate and consistent administrative procedures. The Commission is concerned about feedback from beneficiaries or stakeholders on unnecessary complexity in some cases and continues praising the need to avoid gold-plating with programme authorities. The Commission's audits are now designed in a way to contribute to this objective by identifying good or bad practices in that respect, and these audit results will be shared with all programme authorities.

REGIO has also developed technical assistance tools to support programme authorities with specific needs in that regard. The TAIEX-REGIO PEER 2 PEER instrument is available for ERDF/Cohesion Fund managing authorities and intermediate bodies to exchange good practice on different topics relevant for funds management, including the application and authorisation procedures.

There have already been some exchanges organised in this field. For example: study visits have been organised on such topics as the set-up of management and control systems (LT-PL); the selection of projects for urban development (CZ-NL); evaluation of R&D projects, as shown below:

Title of exchange	Type of event	Beneficiary		Origin of expertise		Place of event	Date of event
		MS	Institution	MS	Institution		
Criteria for the selection of projects for urban development	Study visit	CZ	Prague City Hall	NL	Managing Authority Kansen voor West (Rotterdam)	Rotterdam	25-27/01/2016
<u>Management and Control Systems for the Implementation of ESIF</u>	Study visit	LT	Ministry of the Interior	PL	Office of the Marshal of the Pomorskie Voivodeship	Gdansk	01/06/2016
<u>Appraisal of Research and Development Projects</u>	Study visit	LT	Central Project Management Agency	PL	Ministry of Economic Development	Warsaw	01/10/2016

28. The fact that the AAR reporting period is not identical to that for the annual accounts submitted by the Member States decreases the level of the assurance perceived. Better alignment of reporting periods would be badly needed. How did the Commission address this methodological risk? Does the 10% retention on interim payments help in that regard?

Commission's answer:

The Commission underlines that the Regulation for the 2014-2020 programming period and the timeframe set for the assurance package allows for a better alignment of reporting periods with programme authorities, compared to the 2007-2013 programming period. The Director-General needs to provide assurance on ERDF / Cohesion Fund payments made during calendar year by taking into account assurance provided by programme authorities in their annual assurance package for the previous accounting year (with a compulsory final interim payment request by end July). The 10% retention on each interim payment, including for any interim payment request between end July and the end of the calendar year (usually one claim only) does indeed significantly reduce the risk of paying irregular expenditure and provides assurance on that remaining payment request, until submission of the corresponding assurance package.

REGIO is committed to provide in each annual activity report the outcome of its full assessment on legality and regularity from the assurance packages submitted by Member States in the previous year (see also reply 6.34 to the European Court of Auditors 2016 Annual Report and section A.1.2 of DG REGIO's AAR for 2016, pages 51-55).

29. What has been done to improve the cooperation between border regions with regards to implementing common projects under EU funding?

Commission's answer:

Improving the cooperation between border regions in view of the implementation of common projects has been a constant goal for the Commission.

REGIO takes advantage of all occasions and opportunities to remind such goal to the programmes' authorities. This is particularly the case during the meetings of monitoring committee or the INTERREG annual event organised every year with the participation of all cooperation programmes. The ERDF-funded INTERACT programme, which aims at reinforcing the effectiveness of cohesion policy by promoting exchange of experiences and transfer of good practices among the territorial cooperation programmes and partners, also contributes to the same goal by regularly organising trainings and other events to help improve cooperation among programmes.

30. 500 “major projects” require approval by the Commission. For three “major projects” in the audit sample Member States did not submit the necessary applications before the deadline of 31 March 2017. Which projects were concerned and what measures did the Commission take?

Commission's answer:

The European Court of Auditors (the Court) considered that three projects in its 2016 sample should have been considered by the Member State as major projects that should have been notified to the Commission. It concerns one project in Spain and two projects in Italy. During the contradictory procedure the Member States provided some information contesting the need to notify major projects. It is worth mentioning that the Court does not question the expenditure for 2016, which was considered eligible in accordance with the rules. The Commission confirmed in its replies to the Court that the need for a notification of a major project will be looked at ultimately at closure and that it would launch a financial correction procedure for the concerned amounts if it comes to the conclusion that a major project notification is missing.

In the case of Italy, the two operations audited by the Court are the projects "Railway line Roma-Napoli (via Cassino)" and "Railway line Ortonova - Trinitapoli on the Bologna – Lecce corridor". During the contradictory phase with the Court on the preliminary audit results, the Commission considered that for both projects the Member State provided evidence that indicates that these series of upgrades and (security related) investments on sections of major train lines are not major projects within the meaning of Art 39 of Regulation 1083/2006. The Commission carried out an audit to a similar project belonging to the same tendering procedure in November 2016 and reached the same final conclusion that there was no major project.

In the case of Spain, the operation audited by the Court is the project for the construction of the section Brion-Martelo, co-financed with ERDF, of the motorway Brion-Noia in Galicia, finalised with other regional funds. Based on the information available, the Commission considers that the arguments defending that the section Brion-Martelo should not be assessed as major project are solid and can be accepted.

In fact, the Member State provided elements to justify the treatment of the section Brion-Martelo as an individual project. Thus, the project was executed based on distinctive construction documentation (despite the fact that some studies were made for a broader section); the sections mentioned by the Court were individually executed and financed from different sources; the self-functionality of the Brion-Martelo section could be also pointed out.

In addition, from the documentation on the closure of the operational programme for Galicia (closure declaration; final implementation report; preliminary assessment by the Commission of the mentioned documents), there is no indication that expenditure related to the project Brion-Martelo would be (in full or partially) ineligible.

31. Delays in implementing ESI Fund programmes during the first three years of the 2014- 2020 MFF exceeded those experienced at the start of the 2007- 2013 period on structural and cohesion fund programmes. In light of the low level of payment requests received during the year, the budgetary authorities amended the 2016 budget to decrease payment appropriations by EUR 7,3 billion. Even with this reduction, the low number of payment requests led to the highest surplus since 2002: EUR 6,4 billion (2015: EUR 1,3 billion). How does the Commission intend to address this issue?

Commission's answer:

The Commission has taken several steps at multiple levels to address the issue of delays

in implementation of the 2014-2020 programming period.

First, at political level, the Commission has recurrently highlighted this issue with the Member States' responsible authorities. It has likewise continuously expressed its readiness to provide assistance to Member States to ensure that implementation accelerates and is reflected in sufficient payment requests to the Commission, in line with the Member States' forecasts of payments. For instance, in July 2017, a letter co-signed by the four ESI Funds Commissioners were sent to the Ministers of Finance of the Member States alerting them to the worryingly low level of financial execution and urging them to remove the bottlenecks without further delay. Member States were invited to provide a short report to BUDG analysing the main reasons for the observed implementation delays before the third Inter-Institutional Meeting on payments, which took place on 18 October. The replies voiced Member States' concerns *inter alia* with the lengthy regulatory designation process of responsible national authorities and the complex delivery system and set of rules. The Commission has noted some recent increased payment requests in September and October; however Member States still need further efforts to ensure full absorption of the available budget by year end.

Secondly, at operational level, the following main actions were taken:

- special monitoring of slow performing programmes and ex ante conditionalities fulfilment has been a priority for the structural funds DGs. The monitoring list of under-performing programmes is dynamic and is reviewed throughout the year.
- programme implementation has been data uploaded to the Open Data Platform and used in meetings of Monitoring Committees. It has allowed for policy learning and benchmarking and draws the attention of partners to Member States' progress in implementation;
- a list of main issues to be discussed with all Member States was drawn up in 2017. This includes quality of Member States' payment forecasts, communication, designation and slow implementation;
- the Commission has scrupulously monitored the progress in designations, providing further clarifications and advice to the concerned programmes to resolve identified bottlenecks;
- Member States have been assisted in the field of administrative capacity building, with initiatives such as the Peer2Peer exchange of good practices.

Finally, the lessons learnt are being taken into account in the Commission's reflection in view of proposition the legislation for the post-2020 programming period.

32. The 2016 Budget had serious problems of absorption of funds. Could the Commission explain if there are involved those same regions that had serious problems in providing the regional operational plans for 2014-2020? How the Commission intends to solve the encountered programming problems?

Commission's answer:

Slow absorption in the first years is a normal reflection of the policy cycle and can be seen also for previous programming periods. By way of comparison, for the 2007-2013 programming period, almost half of the expenditure was only declared in the last three years of implementation but finally almost full absorption was reached. However the Commission acknowledges that delays in financial absorption are higher in the first years

of this programming period compared to the previous one, despite a good rate of implementation on the spot (the Honourable Member is also referred to Commission's reply to question 19).

The Commission notes a certain overlap between the programmes previously monitored under the Task Force for Better implementation and the current programmes considered as risky in 2016. The Commission services provide substantial support to Member States' authorities including technical assistance and advisory services (TAIEX Peer-to-Peer, JASPERS) in order to improve their capacity to implement the Funds.

Programmes considered at risk or having indicated difficulties are being closely monitored at the level of REGIO management board. Action plans are put in place for such programmes and are followed through monitoring. Support in the framework of these action plans is mainly provided through technical meetings, targeted advice, and dialogue with national authorities, and closer follow-up on implementation. In some cases, action is also taken at Member State level – a Task Force was created for Croatia and a special action plan for Romania.

More precisely, as regards Croatia, the government adopted on 8 June 2016 an "action plan to increase the efficiency of the use of the European Structural and Investment Funds", setting out a set of 20 remedial actions. A dedicated project team for a better implementation in Croatia has been created by the Commission and is led by REGIO, to support the national authorities in its implementation.

Another example is Romania: in July 2017, REGIO and the national authorities made a joint analysis of the bottlenecks and agreed on a list of actions in order to speed up implementation and enhance quality of projects and results, including on providing assistance to urban authorities and beneficiaries. Simplifying the national rules for beneficiaries is crucial and the Commission is available to help the managing authorities to review procedures, in order to make procedures easier and more flexible.

33. The actual payments made for the ERDF in 2016 was around 91 % of the planned. What does the Commission do to speed up the payments claims from member states and for preventing repetition of the payment backlog at the end of the programming period 2014-2020?

Commission's answer:

The Commission services provide substantial support to Member States, including technical assistance and advisory services, in order to improve their capacity to implement the funds. The Honourable Member is referred in that respect to Commission's reply to question 32.

DG REGIO provides a wide range of technical assistance and advisory services (for instance JASPERS meetings with Member States, Peer2Peer exchange of good practices and expertise under REGIO TAIEX) in several topics (action plan in public procurement, seminars on anti-fraud/corruption measures, integrity pacts, state aid action plan).

Low-performing operational programmes are a priority for DG REGIO and therefore a special monitoring was established at the level of the management board. The list of low-performing programmes is dynamic and is being reviewed regularly. Letters are currently being sent to each programme for which there is a decommitment risk currently estimated at 1.5 billion euro.

In addition, there is a strong cooperation among the ESI Funds Directorates general. A Stock-taking group, meeting weekly, serves as a platform for coordination of positions among the ESI Funds Directorates general in order to ensure smooth joint management of the Funds and faster feed-back to Member States requesting the Commission's views on implementation problems (ESIF Questions & Answers are made available to all programme authorities based on questions raised).

The Commission will continue all its efforts in that respect. However, it remains primarily in the hands of Member States to ensure that programmes deliver and that implementation is rapidly reflected in payment requests and budget absorption.

Regarding the prevention of the payment backlog at the end of the programming period 2014-2020, the Honourable is referred to Commission's reply to question 19.

34. Could the Commission provide us a table by country of the percentage of absorption and trends of Cohesion Funds?

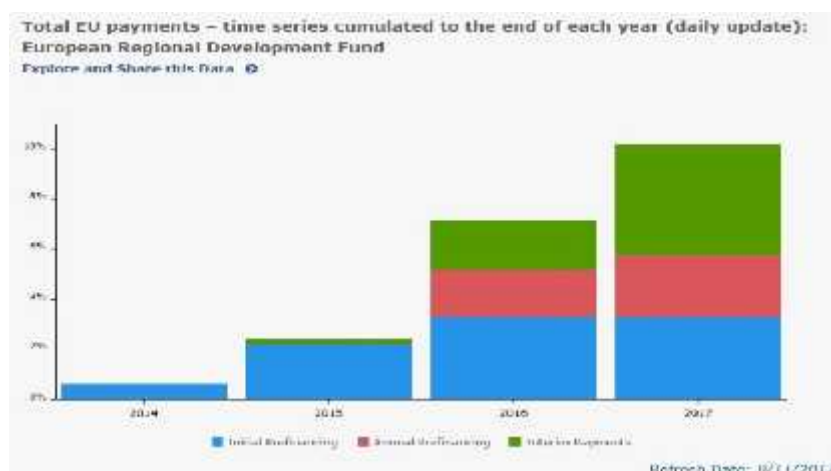
Commission's answer:

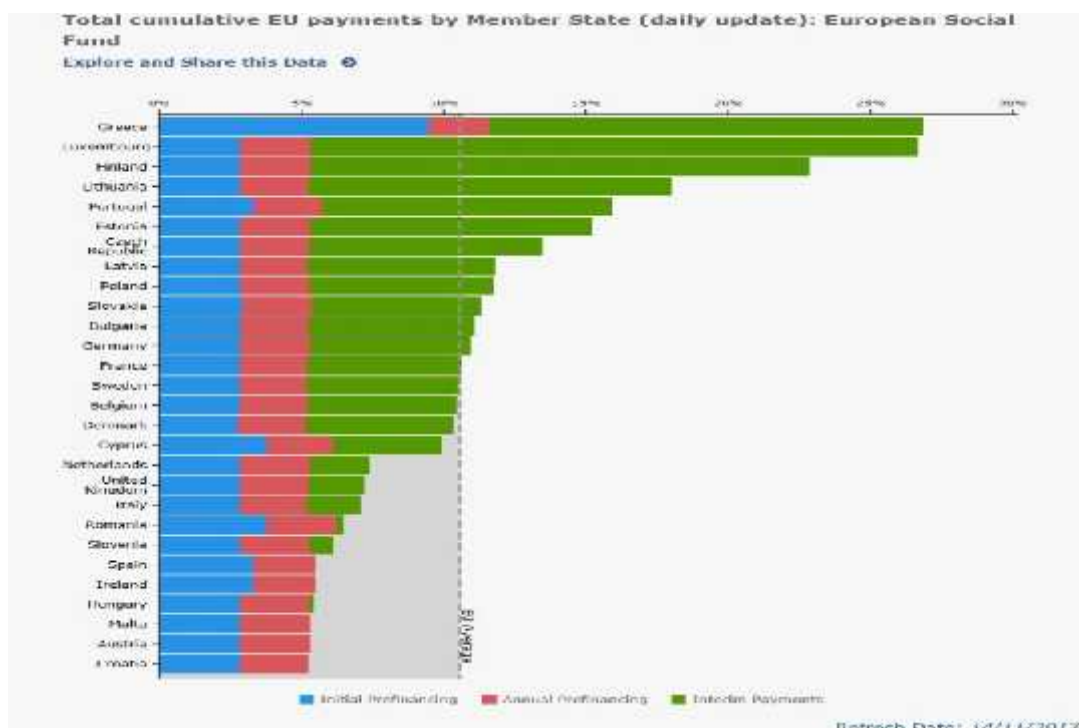
Since March 2017, detailed information on the EU budget payments made to each programme is available at the [ESI Funds Open Data platform](https://cohesiondata.ec.europa.eu/) for all ESI Funds and is updated on a daily basis (<https://cohesiondata.ec.europa.eu/>).

In July 2017, the Commission introduced adapted visualisations of the payments (including time series) showing the composition of the payments. The graphs are displayed by Fund, Member States and Programme.

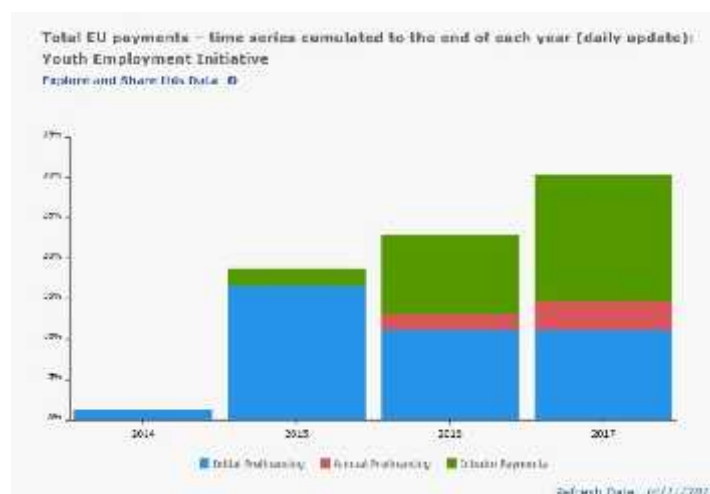
Examples of the graphs presented for the ERDF, the ESF or YEI are provided below (data at 10/11/2017).

ERDF





YEI



35. DG REGIO considers that the programming period 2014-2020 provides an opportunity to move to a real single audit approach at EU-level. Which measures have been taken?

Commission's answer:

Firstly, the Regulation 2014-2020 provides the necessary grounds to develop a further single audit approach. The audit authorities are requested to provide an annual opinion on three elements: functioning of the management and control systems, legality and regularity of expenditure and programme annual accounts.

In addition, the Regulation provides for further measures on proportional control arrangements and reinforces the possibilities for the Commission to limit its own on-the-spot audits for operational programmes for which it concludes that the opinion of the audit authority is reliable.

In order to implement these regulatory provisions in the most efficient way, the 2014-2020 Single Audit Strategy agreed by REGIO, EMPL and MARE builds upon all efforts and achievements in previous programming periods, for a robust and coordinated control and audit framework between the Commission and the Member States. For more details about actions taken under the Single Audit Strategy, the Honourable Member is referred to the Commission's reply to question 26.

Under the 2014-2020 framework 95% of audit authorities remain unchanged as compared to 2007-2013. The control systems can thereby benefit to a large extent from the extensive audit expertise and the quality of the work already developed under the 2007-2013 programming period. This facilitates Commission's reliance on the work of audit authorities in the Member States for 2014-2020 as well, based on continuous monitoring.

Besides that, the Commission continuously provides to the audit authorities revised audit methodology and sampling techniques to reduce the audit burden without impacting the assurance provided. As a consequence, the audit authorities have been able to provide the necessary assurance by auditing on average around 30% of expenditure certified each year to the Commission. As far as REGIO own audit work is concerned, it follows a risk approach at programmes and audit authorities levels.

Finally, the Commission notes with satisfaction that the European Court of Auditors is also moving towards the direction of taking more into account available audit information for its future Statements of Assurance, namely national audit results and error rates reported to and validated by the Commission. In the Commission's view this will contribute to complete the single audit approach at EU level.

36. When assessing the management and control systems and the audit directorate's 2016 audit opinion 4 programmes received an adverse opinion. Which programmes were concerned and which measures did DG REGIO take?

Commission's answer:

In relation to programming period 2007-2013, the audit opinions disclosed in the AAR were concluded based on the analysis of all audit results received in 2016 and of the audit work performed, however before starting the assessment of the closure declarations and audit opinions submitted by the Member States.

DG REGIO issued adverse opinions for the following operational programmes: 2007BE162PO001 (Région de Bruxelles-Capitale), 2007ES161PO002 (Melilla), 2007HU161PO008 (Social Infrastructure), 2007IT161PO006 (Ricerca e competitività).

The follow-up of these cases is carried out in the context of the closure with the assessment of the closure documents and audit opinions provided on the actions taken, including the required financial corrections implemented by the concerned programmes.

As at 10/11/2017, all four programmes are still open as contradictory procedures are still ongoing and further audit work has been requested where necessary.

37. According to the SWD (2017)306 final (p. 23), in DG REGIO there had been no audits on assessing data reliability in the Member States. What were the reasons of not carrying out such an audit?

Commission's answer:

According to the Single Audit Strategy for funds managed by REGIO, EMPL and MARE, in the first years (as a general rule as soon as expenditure/data are reported), priority will be given to the Commission's thematic audits on the reliability of systems for reporting performance data in order to obtain assurance before first audit results are made available by audit authorities in their annual control reports. This type of audits are planned to cover different components such as the reliability of the systems, the correctness and accuracy of output indicators for ERDF/Cohesion Fund and EMFF as well as result indicators for ESF and compliance with the IT requirements and standards (with specialised outsourcing envisaged for this last component). A specific audit methodology (enquiry planning memorandum) and risk-assessments have been jointly established between REGIO, EMPL and MARE.

Audits were planned as early as possible (from mid-2015 onwards for ESF and from 2016/2017 onwards for ERDF/Cohesion Fund and EMFF). Due to delays in the implementation of the 2014-2020 programming period, the start of audits were delayed in order to have sufficient performance data to test. REGIO has carried out so far 3 pilot missions in the first half of 2017 (UK West Wales, FR Nord-Pas-de-Calais, and DE Nordrhein-Westfalen), to test the methodology. A series of audits based on the data submitted in the Annual Implementation Reports at the end of June 2017 and used for the first risk-assessment are currently on-going. Overall 18 audits on performance data reliability are planned to be carried out under the audit plan 2017/2018.

38. What is further needed to achieve more performance-oriented audit in ESIF?

Commission's answer:

According to the single audit strategy for 2014-2020 funds managed by REGIO, EMPL and MARE adopted in June 2016, priority is currently to address the serious compliance issues identified for many programmes. The strategy foresees that the Directorates General could at some point of the programming period allocate audit resources to additional thematic audits such as performance audits of the programmes. The condition for this would depend on the confirmation of improved assurance for 2014-2020 for the vast majority of programmes, with residual risks not being material any longer. This would allow the Commission services to review their risk assessments in line with Article 148 of the Common Provisions Regulation and free resources from compliance audits.

Performance audits should be planned designed and carried out in cooperation with other concerned parts of the Directorates General (including evaluation and implementation units). In that context, performance audits of the programmes could have different approaches: they could focus on projects across thematic areas or more specifically on operational programmes. For example pilot performance audits have been carried out in past years in REGIO, on thematic areas (technical assistance or water sector).

REGIO also has a strategy in place since 2014 to manage change to a more performance based culture. The action plan added to the strategy in May 2015 details a range of inter-linked actions, with responsibility assigned across the Directorate General and deadlines fixed and bi-annual review of progress. This strategy also refers to the possibility to move in the future to performance auditing, once compliance issues have been settled in a sustainable way. Until then the Directorate General also benefits from increased inputs from evaluations thanks to improved requirements for programme evaluation at national level under the current period and from the conclusions of the frequent performance audits carried out by the European Court of Auditors that are taken them into account for policy and programme developments, as necessary.

39. According to the Annual Report of the European Court of auditors (para. 612, p. 171), projects using simplified cost options (SCOs) are less error-prone than reimbursement of actual costs.

a. Which Member States used SCOs in Cohesion in 2016?

Commission's answer:

According to an ongoing study on the use and intended use of simplified cost options (SCO) in European Social Fund (ESF), European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Agricultural Fund for Rural Development (EAFRD), it appears that with the exception of Romania, there is at least one programme in each Member State where SCO have been already used to cover ERDF/Cohesion Fund operations.

For the ESF, the primary results show that for the 27 Member States which replied (no reply was received from Austria), all countries will make use of simplified costs – amounting to an average of just under 35% of ESF funding. The use ranges from a low of 3.5% in Hungary to a high of 85% in Sweden.

The ESF also allows simplified costs to be defined through a delegated act (Article 14.1 ESF). Taking into account the 4th amendment adopted by Commission and due to come by the end of this year, there are fourteen Member States (Sweden, France, Belgium, the Czech Republic, Malta, Italy, Slovakia, the Netherlands, Germany, Lithuania, Austria, Poland, Romania, Cyprus) with Simplified Cost Options set out in the delegated act, covering an estimated €7bn of expenditure.

b. Why has DG REGIO not set any target for the uptake rate of SCOs for the ERDF/CF in the 2014-2020 programming period?

Commission's answer:

The uptake of SCO is dependent on the type of projects funded and ERDF/Cohesion Fund projects are very heterogeneous in nature. Standardisation of costs is not always feasible and all types of SCOs are not easily used in ERDF/Cohesion Fund projects (for example, lump sums).

In addition, SCO under article 67 CPR cannot be used for operations that are fully publically procured. Under ERDF there are a lot of fully procured operations, thus, SCOs

may not be used in such cases. This limits the potential for the further uptake of SCO for ERDF/Cohesion Fund.

Different rules applicable to State Aid is another factor limiting the possibility of uptake of SCOs. However, the current revision of GBER to ensure their compatibility with SCO will allow the calculation of eligible costs in accordance with the CPR rules on SCO.

- c. With reference to SWD (2017)306 final (p. 23), what are the obstacles that DG REGIO has not yet succeed to overcome in order to further increase the uptake of simplification measures to reduce the administrative burden of beneficiaries and the administrative cost of the Member States?

Commission's answer:

- For the 2014-2020 period key issues have effectively been addressed with the modifications introduced in the Omnibus Regulation with the view to removing obstacles to the use of simplified cost options (SCOs) - for example: introduction of a new SCO option: financing based on fulfilment of conditions; Commission delegated act for standard scales of unit costs and flat rates; extended flexibilities for standard scales of unit costs and flat rates; clarification of article 67(4)).
- Even though there is still uncertainty with regard to the non-approval by the Commission of the SCO methodologies developed by the Member States, REGIO has already expressed to Member States its strong will towards assisting them in better understanding the applicable rules and better designing their SCOs. REGIO may visit all Member States and make presentations to further raise the awareness on the usefulness of SCOs for some schemes and discuss the difficulties encountered on the ground, or help Member States to design seminars via for instance the use of Peer to Peer. So far, already some Member States have responded positively. This would be a factor that is believed to help removing reluctance regarding the use of SCOs.
- After the results of the ongoing study launched on the use and intended use of SCOs by the Member States, the picture will be clearer and further measures on the uptake on the use of SCOs will be developed. Further streamlining and uptake of SCOs in the legislative framework of the post 2020 period will be explored.

40. Projects using simplified cost options are less error-prone and they require less administration from the beneficiaries as compared to the reimbursement of the actual costs, still we experience some reluctance or resistance to apply them more frequently. What holds back certain Member States to extend the use of simplified cost options? What are the main arguments against the more widespread use of simplified cost options?

Commission's answer:

One issue which can deter Member States from implementing simplified costs is the additional effort required at the beginning, such as development of the appropriate methodology. As this brings simplification only later, Member States can be reluctant to

invest resources at a time of competing demands. The Commission has tackled this by making it as easy as possible for national authorities to use SCOs for the 2014-2020 period. The regulation provides for 'off the shelf' flat rates which give legal certainty on the rate used. It also expands and provides more flexible options for the national authorities.

A second blocking factor can be the lack of legal certainty on the methodology or amount defined, meaning that they can be challenged during subsequent audits with disastrous consequences if many months of implementation are eventually questioned by an audit. For the ESF, this was tackled by including in the ESF regulation a provision to allow the Commission adopt simplified costs through a delegated act (Article 14.1). This delegated act has proven to be a success. Taking into account the 4th amendment adopted by Commission and due to come by the end of this year, there are 14 Member States (Sweden, France, Belgium, the Czech Republic, Malta, Italy, Slovakia, the Netherlands, Germany, Lithuania, Austria, Poland, Romania, Cyprus) with Simplified Cost Options set out in the delegated act, covering an estimated €7bn of expenditure. For REGIO, the audit directorate has encouraged programme audit authorities to participate to working groups on the definition of SCO in order to provide early, preventive advice and avoid later errors. It also proposed to audit authorities to carry out joint audits at the start of any new SCO scheme to audit it preventively and offer the programme authorities and beneficiaries the legal certainty that the scheme is 'audit passed'.

The High Level Group on Simplification (HLG) noted that this method on increased legal certainty through the Fund specific regulation applies only for the European Social Fund (ESF). These and other factors identified by the HLG have been addressed in the Commission's proposal for the "omnibus", which will in particular extend the use of off-the-shelf simplified costs options and make the delegated act approach available across all ESI Funds.

Thirdly, evidence from the ESF shows that reluctance to use simplified costs can be overcome if their use is made obligatory. In the "omnibus" proposal the Commission, in line with the HLG recommendations, has proposed to extend such obligation beyond current area of small ESF projects.

Occasionally also, the reluctance to use simplified costs can be down to a lack of understanding among national authorities, both of the benefits that can accrue but also of the opportunities that exist. To tackle this, the Commission organises training sessions for staff of national authorities and has organised many practical seminars in the Member States where practical application of simplified costs to operations can be discussed, reminding the European Court of Auditors' findings that SCO schemes are much less prone to errors. In addition, numerous written replies on how simplified costs should be applied have been given to national authorities, on top of the general guidance note which contains many practical examples of how simplified costs can be applied.

Finally, it is also important to take note that not all projects are suitable for simplified cost options. This is particularly true for operations cofounded through the ERDF/Cohesion Fund. For the projects which are smaller and can be standardised, simplified costs are very useful. But when projects are implemented through public procurement, the amounts are large or projects are very innovative, more extensive use of simplified costs might not be legally possible, or appropriate.

The Honourable Member is also referred to the Commission's reply to the previous

question 40.

41. Simplification in the implementation of EU funds is a major block of "an EU budget focused on results" initiative. Where are we now with the simplification process?

Commission's answer:

The High Level Group on Monitoring Simplification for beneficiaries of ESI Funds (HLG) has delivered its recommendations for both the 2014-2020 period and post 2020. The "omnibus" proposal includes many of the legislative proposals from the HLG, in particular in the area of simplified costs. The response to the non-legislative proposals for 2014-2020 was discussed with the HLG and the recommendations are being implemented: in particular, a specific action plan was prepared for recommendations related to audit and audit-related recommendations on gold plating. The more far-reaching recommendations for post 2020 are being taken into account in the preparation of the new regulations. The work of the HLG was coordinated with the opinions of REFIT, with the REFIT inputs being used as background in the HLG work, and the HLG reacting to the REFIT platform opinions.

Negotiations on the Financial Regulations/Omnibus are ongoing aiming at political agreement by the end of 2017. The Commission is convinced that the provisions included in the omnibus should enter into force as soon as possible in order to benefit current programmes.

42. Has the financial period 2000-2006 be closed and, if yes, how was the outstanding ERDF case in Sicily and the 57 cohesion policy cases resolved.

Commission's answer:

For the 2000-2006 ERDF OP Sicily the financial correction requested by the Commission was accepted in July and the programme is now partially closed (except for suspended projects). In total for that programming period there are 31 programmes in seven Member States plus ETC which remain partially closed, pending resolution of ongoing legal issues (suspended or non-operational projects, pending recoveries, legal procedure etc.) but which do not deserve a reservation with regard to the amounts concerned.

With regard to Cohesion Fund 44 projects remain open. In 2017 REGIO has further closed 13 projects (8 Polish projects, 3 Greek projects, 1 Romanian project and 1 Spanish project). For the remaining projects, REGIO is preparing closure letters for some projects (RO, BG, LT and EE) and pre-correction letters – starting the financial correction procedure - for other projects (EL, BG and RO).

For the projects covered by the AAR reservations for two sectors in Romania and Bulgaria the status is as follows:

- Romanian authorities have replied to the Commission's closure proposals for the three projects concerned. REGIO is examining the replies. If there is no agreement on the corrections considered as required by the Commission a financial correction procedure will be launched. This procedure can last for another year or even more, pending the level of information or legal arguments

provided in the contradictory procedure.

- Bulgarian authorities have rejected the Commission's closure proposal for the project under reservation (Danube Bridge). The financial correction procedure has been launched in 2017 and is not expected to be finalised before end-2018.

43. In 2016 DG REGIO discovered 16 cases of suspected fraud. What is the current state-of-play? Which programmes are concerned?

Commission's answer:

When the Commission comes across suspicions of fraud, it notifies OLAF of the elements at its disposal, in line with the regulatory requirements. On the basis of an opinion by the OLAF selection and review unit, the OLAF Director-General decides to open a case or to dismiss it, in particular if there are no sufficient grounds or if OLAF is not found competent or not the service best placed to act. Other criteria taken into consideration by OLAF involve the proportionality principle, the need to make an efficient use of the Office's resources and the Investigative Policy Priorities set on a yearly basis by the OLAF Director-General. When a case is opened, REGIO is informed in writing about the active investigation, and which OLAF investigative unit is in charge to draft a final case report including findings and recommendations to the Authorising Officer (AO). The AO is then responsible to do the financial follow-up on the report, launch the recovery procedure if found necessary and inform OLAF about recommendations accepted and amounts recovered.

From the 16 cases notified by REGIO to OLAF in 2016, as reported in the 2016 AAR (page 91), twelve cases were dismissed without investigation, and four cases led to the opening of an investigation by OLAF, of which one was closed without recommendations.

44. Three projects in the audit sample did not comply with the eligibility rules. These projects accounted for 12% of all quantifiable errors. Which projects were concerned and what measures did the Commission take?

Commission's answer:

These three projects concerned one ERDF project in the Czech Republic and two ESF projects in Spain.

In the Czech case, the European Court of Auditors (the Court) found that the funding was received by an ineligible beneficiary, which did not fulfil the SME requirement foreseen in the call for proposals. When verifying compliance with this requirement, the managing authority based its decision on the beneficiary's declaration and the information from its monitoring system. This was insufficient to verify the correct status of the beneficiary that was not an SME, as demonstrated by the Court's audit.

Two of the three above-mentioned projects have been financed by the ESF Andalucía OP. The projects consisted in co-financing the salaries of specialised residential internships (EIR programme for medical professionals) under the Priority Axis 3 development of human potential in the field of research and innovation. The Court found disproportionate

to consider the whole projects as a research activity and concluded it was partly ineligible and should not have been declared for co-financing.

The Commission considers that the training of professionals of health services through the EIR programme of postgraduate studies is eligible under Priority Axis 3 "Increase and improvement of human capital" since it contributes to the achievement of its objectives. Completing such postgraduate studies is a legal requirement in Spain to conduct clinical research. Concerning the two specific projects, the managing authority has provided evidence of a total of 99 specific research activities for the 20 participants sampled by the Court, including scientific publications, participation in competitive research programmes with external funding and being part of highly qualified research groups.

The Commission follows-up on the cases identified by the Court and will propose action as it deems necessary.

For more detailed explanations about the findings on these cases, the Honourable Member is invited to request such information from the Court.

45. The Court found elements of non-compliance with EU and/or national procurement rules in 23 procedures. Four of these were serious infringements and accounted for 16% of all quantifiable errors or approximately 1,4% of the estimated error rate. Which procedures were concerned and what measures did the Commission take?

Commission's answer:

The Commission notes that in 2016 for the second year, public procurement procedures do not represent any more the first type of errors contributing to the error rate calculated for Cohesion policy by the European Court of Auditors (the Court). The Commission has taken the problem seriously and continues working hard with Member States authorities under its action plan on public procurement errors launched since 2014 to reduce the frequency of errors in this area.

The following actions have been taken to address the public procurement issue over the years:

- The 2014 Public Procurement Action Plan is implemented jointly by the four Directorate-Generals managing ESI Funds (REGIO, EMPL, AGRI and MARE), the main policy lead DG (GROW) and the European Investment Bank. The plan was updated further in March 2017 and includes, for example:

- Update of the Public Procurement Guidance for Practitioners on the avoidance of errors in ESI- funded projects published in October 2015 in all EU languages; the guide is currently updated taking into consideration the new public procurement directives and will be available by the end of the year;
- Monitoring of national action plans for all countries non-compliant with the Public procurement ex-ante conditionality;
- Assessment of current practices and need for professional training and qualifications in public procurement, provision of training for Member State administrations;
- Exchange of good practices, e.g. on the topic of public procurement, between cohesion policy experts in Member States via the TAIEX-REGIO PEER 2 PEER exchange tool;
- A public procurement stock-taking study which includes more than 50 good

practice examples in public procurement across the EU has been widely disseminated.

- The ex-ante conditionalities (ExAC) on public procurement introduced for 2014-2020 ESI Funds period required from Member States arrangements for the effective application of EU public procurement law in the field of ESI Funds. In the framework of this ExAC, several Member States improved the implementation of EU public procurement rules in a systemic manner, for example by modifying their legislation or by addressing the practical aspects of the application of EU public procurement law on the ground. This included ensuring administrative capacity for application of EU public procurement rules.

- Other actions taken include: The Commission services updated and shared their control checklists with managing and audit authorities to ensure that public procurement implementation is correctly controlled. REGIO also signed 17 pilot Integrity Pacts in co-operation with Transparency international on EU co-financed projects in 11 Member States to fight fraud and corruption in public procurement. The Commission has developed and provide for free to Member States the data-mining tool Arachne that helps preventing and detecting in particular conflict of interest and corruption in public procurement.

- Finally, the Commission has adopted in October 2017 an important package on public procurement. The general objective is to ensure that tax payers' money is spent efficiently and effectively and that public procurement procedures are used in a strategic manner.

The Commission considers that the reduction trend in the frequency and quantification of errors related to public procurement in the Court's reports shows that the action plan starts producing effects on the ground. However, the Commission remains conscious that important efforts continue to be needed by all concerned public authorities acting under Cohesion Policy.

Regarding more detailed findings in the procedures concerned by the Court, the Honourable Member is referred to examples provided by the Court in its Annual Report in Annex 6.3, examples 9 to 11, and is invited to address any further request for information to the Court.

46. The Court pointed out *again* that in 18 cases of quantifiable error, the Member States had sufficient information to prevent, or to detect and correct, the error before declaring the expenditure to the Commission. Had the Member States made proper use of all the information at their disposal, the estimated level of error for this chapter would have been 3,7 % lower. Which cases were concerned and what measures did the Commission take?

Commission's answer:

In shared management, controls can only work effectively if national authorities make the necessary effort and use all available information. The Commission shares the view of the Court that not more but better control is needed, in first instance at the level of managing authorities and their intermediate bodies.

The Commission notes that the findings of the European Court of Auditors (the Court) refer to a minority of the projects audited (180). The Court does not consider these errors to be of systemic nature for the programmes concerned, i.e. they cannot be considered as pointing to the fact that the concerned management and control systems do not function and that management verifications are not reliable across the board. The Commission is

strictly following up these cases and agrees that sound and timely management verifications must be in place.

In the cases of serious deficiencies found, the Commission has demonstrated to this Committee during the years that it stops the payments and requests the Member State to fix the system for future expenditure and to implement the required financial corrections for past expenditure.

Therefore, over the previous period the Commission carried out audit and preventive actions to help Member States improve the first level controls. The Commission carried out audits targeting management verifications of managing authorities for high risk programmes. For REGIO more than 150 such audits have been carried out since 2010. The results of these audits conducted up to 2016 are presented in the 2016 AARs of DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion (see pages 61-64 and 65/66, respectively). Additionally, the Commission assisted and supported Member States through capacity building actions. The REGIO dedicated Administrative Capacity unit continues to organise targeted administrative capacity actions, exchange of expertise and of good practices between Member States, and to offer targeted training and support. REGIO and EMPL addressed updated guidance to Member States for 2014-2020 programmes, drawing on the lessons learned from the previous programming period which, combined with the required use of simplified cost options, should contribute to improving the quality of management verifications.

Finally, the Commission considers that the reinforced control procedures for 2014-2020, including increased accountability of managing authorities that have to deliver each year a management declaration, and have to carry out sufficiently robust management verifications on time to ensure that programme's annual accounts contain residual levels of errors below the materiality threshold of 2%, should result in lasting reductions of the error rates, as illustrated with the assurance packages received in 2017. In addition, in 2014-2020, in cases where the Member State should have detected, reported or corrected serious deficiencies by the time of accounts but did not, the Commission will have to apply net financial corrections.

For the concrete findings in the cases reported in the Court's Annual Report, the Honourable Member is invited to address the request to the Court.

47. Can the Commission inform the Parliament about the overall amount at risk (at payment) as reported by DG REGIO in its 2016 AAR before and after having been adjusted by neutralising the effect of pre-financing? Can the Commission communicate also the corresponding numbers for 2015?

Commission's answer:

In accordance with instructions from BUDG, the overall amount at risk at payment is calculated on the relevant expenditure of the year and not on the payments. The relevant expenditure does not include pre-financings (7.8 Billion in 2016). It corresponds to all payments and clearings made in the year minus the pre-financing.

As there is no risk on the pre-financing amount, the overall amounts at risk would have remained unchanged had the pre-financing been included, i.e. in the range of EUR 645 million to EUR 1.2 Billion as disclosed in the AAR.

The pre-financing made in 2015 amounted to close to EUR 5 billion euro (see REGIO's

2015 AAR, section 2.4.3). The amount at risk disclosed in the 2015 Annual Activity Report corresponds to the amount at risk at payment.

48. What is the cost of management and control of ESIF funds from the beginning of the current programming period? With how much did the cost of management and control decrease comparing to the last programming period? What is the role of simplification in that?

Commission's answer:

The Commission (REGIO, EMPL, AGRI and MARE) have recently launched a study aimed at a comprehensive assessment of administrative costs and burdens for each of ESI Funds in the 2014-2020 programming period. The study will also compare, to the extent possible, these new baselines with the results of the earlier studies, which assessed administrative costs and burdens of ESIF in the 2007-2013 period.

The data on administrative burdens are currently collected through surveys sent to all the relevant programme bodies including managing, certifying and audit authorities and the national coordination institutions. The survey will ask about the costs and numbers of staff working on various elements of ESIF implementation, the overhead costs and the costs of external services – all broken down by task. The data on administrative burdens on beneficiaries of ESI funds will be collected from a representative sample of around 300 beneficiaries. They will include the data on the administrative workload and external expenditure related to implementation of ESI projects. Preliminary results of the study are expected in the first quarter of 2018, and the final report – in September 2018. It will be published on the Commission's website.

Another, recently completed study² for REGIO and other Directorates General quantified, as one of its tasks, the reduction of administrative burden on beneficiaries and of administrative costs for Member States resulting from legislative changes in 2014-2020 in comparison to the previous programming period. In case of the ERDF and Cohesion Fund, the study concludes that these simplification measures imply a reduction of administrative costs of 4 to 8% and a reduction of administrative burden of 9 to 14%. The most important simplification measures are simplified costs options (SCO) and e-cohesion, followed by simpler rules for revenue-generating projects and the harmonisation of rules.

49. What is your position of establishment of a “Monofund”? Do you consider it would contribute for more efficient audit?

Commission's answer:

The Commission understands that the question refers to the issue of mono- or multifund programmes, since different Funds under Cohesion Policy are referred to in the Treaty and the creation of a single Fund would therefore not be possible.

² http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/use-of-new-provisions-on-simplification-during-the-early-implementation-phase-of-esif

The Commission policy priorities aim at coordination and synergies between Funds. For this reason, the Commission has both mono- and multifund programmes in the 2014-2020 period. Up until now the Commission has not established evidence that any of these possibilities would have an advantage over the other in terms of efficiency of management and control system and audit arrangements. There are a number of considerations (policy, delivery, national arrangements, future priorities of the respective funds etc.) which need to be assessed before any decision on whether to enable multi-fund programmes post-2020 or revert to mono-fund programmes is taken.

50. Has the Commission ever suspended interim payments or imposed financial corrections to Member States in case of serious underachievement of a priority axis in a programme?

Commission's answer:

In a shared management mode the Commission wants to assess if the programme, for each priority, reached its outputs and results. This is the logic of the current performance framework. In the previous period (2007-2013) we had no legal basis to impose suspensions and financial corrections for insufficient performance at programme level. This has been changed for the current period. In 2019, in case of serious failure to achieve the milestones set, not only the priority axis concerned will not receive any performance reserve but it may also be subject to the suspension of interim payments. Moreover, in 2023, serious failure to achieve targets may even lead to financial corrections.

51. Could you provide us with some examples of "non-functioning" projects and some projects that did not achieve any of their objectives?

Commission's answer:

The European Court of Auditors (the Court) has referred in its 2016 Annual Report to both non-functioning projects and to projects that did not fulfil their indicators.

Regarding the four non-functioning projects identified by the Court in their sample: two projects are cleared (one investment in a Spanish port being completed and made operational in April 2017 and the GSM-R system along the Hungarian railway main line TEN-T network was phased into 2014-2020). The two other projects in Romania (an integrated waste management system and the reorganisation and landscaping of the central public area of a municipality) are expected to be operational soon. These two Romanian projects have been reported as non-functioning by the Member State at closure due to missing administrative steps to ensure their full functioning. The projects are under the required specific monitoring list and are expected to be operational very soon, pending last administrative procedures.

Regarding the six projects did not achieve output and/or result indicators: Four concerned ERDF/CF and two are related to ESF. For the four ERDF projects:

Three Italian projects did not achieve both output and result indicators: the first project is the recovery of an abandoned public property and construction of a multifunction youth event and learning centre. The purpose of the second project is the recovery of an

abandoned public sports hall and construction of a youth sports and leisure centre. The purpose of the third project is to transform a school building into a centre for senior people. All 3 projects were physically completed but since these building were not operational no activity took place and any jobs created. Indicators were defined against activities or jobs created, for example, not the mere output (construction / refurbishment). Therefore these projects did not fulfil any outcome/result indicator despite the investment being done.

One Spanish project consisted on the purchase of technical equipment for thermography services but the equipment purchased did not remain in the region as established by the Call conditions (considered as 100% error under the error rate). Therefore, the Court considered that no result was achieved.

52. Given the multiannual character of management and control systems under the 2007-2013 programming period for Cohesion policy, errors may be corrected up to closure. The Commission is currently scrutinising closure declarations to ensure that all necessary corrections have been applied and will not close any programme unless it has reasonable assurance that the residual risk for that programme is below materiality (2 %). Can the Commission indicate which the Operational Programmes under particular scrutiny are and what are all the corrections that have been already applied?

Commission's answer:

The Commission confirms it received all closure documents from the 317 operational programmes concerned by March 2017, which was the regulatory deadline for submission. Nine programmes were closed so far and the Commission expects to be able to close between 80 and 120 programmes by end 2017, pending reception of the information requested from Member States.

The Commission notes that it still has open issues for some programmes and it still undertakes the additional verifications and analysis. Financial corrections will be applied where necessary. The Commission cannot report details on the open programmes as the Member States' replies to the Commission's first assessment of closure documents are either pending or for the ones already received are still under detailed analysis.

The Commission services are fully committed to close the programmes as soon as possible in 2018. However, it wants to ensure both quality and speed.

The Commission services will report to the Parliament on the progress of the closure process, and on financial corrections applied cumulatively, in their upcoming annual activity reports and comprehensively once closure will be completed.

53. Does the Commission intend to present and compare all information on preventive and corrective measures in Cohesion spending by fund and Member State in a report and display the impact of financial corrections and the residual risk rate as recommended by the Court in its Special Report 4/2017? Does the Commission plan to set up an integrated monitoring system for both preventive measures and financial corrections?

Commission's answer:

The Commission has accepted both recommendations provided by the European Court of Auditors (the Court). With regard to the reporting of the final outcome of closure of the programme period, this exercise might take place in context of the annual activity reports. Regarding the integrated monitoring system for both preventive measures and financial corrections the Commission accepted the Court's recommendation and is working on integrating its different tools in that regard.

54. What are the difficulties of technical assistance of Member States and what could be solutions for those problems identified? What are the future measures for fair financing?

Commission's answer:

The lack of flexibility to use technical assistance to finance activities related to all ESI Funds has been a barrier in development of common IT systems, but it has been addressed in the "omnibus" proposal. The difficulties come also from the relatively large amount of supporting documents which are needed to justify technical assistance (TA) expenditure, but this could be simplified with the use of simplified costs. This is already being done in the current programming period and use of simplified cost options should also provide possibilities for simplification in the next programming period.

The current Regulation allows already further flexibility of the use of TA (Art 119 of the Common Provisions Regulation (CPR)), e.g. each Fund may support TA operation eligible under any of the other Funds and may, by way of derogation, be implemented outside the programme area but within the EU if it is clearly for the benefit of the programme.

Technical assistance has been too often regarded in the past as a lump sum at the disposal for the Member States for the implementation, of the programmes. The use of TA was therefore often not sufficiently targeted and in part inefficient. For the current programming period the Commission asked Member States for a more focussed and tailor made use of their TA in their programmes on the basis of the lessons learnt and the most important bottlenecks identified in the previous periods. For example: Member States were encouraged to use TA e.g. for action plans as a result of non-fulfilled ex-ante conditionalities, support proportionate anti-fraud and corruption measures (as a new requirement under Art 125.4 (c) of the CPR) and support beneficiaries in preparing mature project applications. A major part of TA is still used for human resources support (salaries, training etc.): here the Commission asked Member States to develop clear human resources action plans so that TA would be used in a targeted way for those organisations most in need of additional support.

Country specific and other specific question

55. The EU allocated funding through the EU's structural and investment funds, introducing a specific ex ante thematic conditionality, which requires an appropriate national *Roma* integration strategy to be in place for using funds for Roma integration.

- a. Which Member States had put in place such a national Roma integration strategy in 2016?

Commission's answer:

By October 2017 all Member States to which the ex-ante conditionality on Roma applied (AT, BE, BG, CZ, DE, ES, FR, EL, HU, LT, PL, PT, RO and SK) had fulfilled it and therefore had a national Roma integration strategy.

- b. How much EU funding was allocated for Roma integration in 2016 in which Member States?

Commission's answer:

Available information on programming for all ESF adopted programmes includes for example information on investment priorities (IP) selected by Member States, types of actions to be financed, targets and financial allocations.

In the 2014-2020 programming period two ESF investment priorities tackle directly non-discrimination and Roma integration (see table below). Member States who have selected these IPs have included specific objectives and targets in their operational programmes. This is particularly the case for Member States with country specific recommendations in this regard.

Investment priority (IP)	Member States who have selected the IP	Financial allocation
Combating all forms of discrimination and promoting equal opportunity	11 Member States (BE, CY, CZ, DE, ES, FR, GR, IE, PL, PT and SK).	447 million EUR
Socio-economic integration of marginalised communities such as Roma	12 Member States (AT, BE, BG, CZ, ES, FR, GR, HU, IT, PL, RO and SK).	1.6bn EUR The majority of funding (1.2bn EUR) is concentrated in the following countries: BG, CZ, HU and RO

Even though data collection for ethnic background can be hindered due to its sensitivity or to legal limitations³, all participants under the dedicated investment priority for Roma

³ 3 Member States may choose not to collect data related to Roma according to Article 8 of Directive 95/46/EC.

integration can be considered as part of marginalised communities such as Roma, which will ease the reporting on this target group during the programming period.

Moreover, Roma can participate in operations outside of these investment priorities and their participation will be captured by the specific indicator when Member States collect the data.

Across all investment priorities, Member States have allocated EUR **5 billion** to specific actions for non-discrimination⁴.

By the end of 2016, for projects under the investment priority 'socio-economic integration of marginalised communities such as Roma' EUR 100 million had been committed. More detailed information will be included in the ESIF Strategic Report to be published in December 2017.

Breakdown of the allocation for the investment priority 'Socio-economic integration of marginalised communities such as Roma':

Investment priority	
Socio-economic integration of marginalised communities such as Roma	
AT	4,000,000
BE	2,200,000
BG	143,119,035
CZ	2,000,000
ES	47,569,194
FR	8,231,226
GR	92,871,241
HU	470,287,077
IT	108,507,506
PL	16,277,194
RO	371,932,022
SK	99,000,000
TOTAL	1,563,994,495

56. apí hnízdo - Stork farm (*Czech Republic*): Have payments been interrupted and/ or financial corrections been implemented by the Commission? What was the corresponding amount?

Commission's answer:

In the closure documents for the programme concerned submitted in March 2017, the project in question is reported by the Czech Republic as an open irregularity since the project is under investigation by OLAF and the judicial Czech Authorities. Therefore, the concerned EU grant of EUR 1.67 million is treated as an amount at risk at closure which remains open in the Commission's books (and cannot be paid under the balance to be paid on the programme).

After finalisation of the OLAF investigation and in accordance with the conclusions that will be reported, the Commission will take any appropriate corrective measures required,

⁴ This information can be captured through the ESF secondary themes.

including a financial correction if necessary. If a breach of the rules is confirmed, the relevant grant amount will be deducted at the closure of the programme from the final balance to be paid on the programme. Therefore the EU budget will be protected.

57. What is the state of play of the 181 priority projects in *Greece*?

Commission's answer:

The 181 (166 ERDF/CF, 15 ESF) projects on the priority projects list (PPL) had a planned co-financed budget of EUR 11.5 billion, equivalent to about 55% of the total 2007-2013 ERDF/CF/ESF allocation to Greece.

1. On the basis of the closure documentation and the May 2017 Priority Projects List report, EUR 8.6 billion was eventually spent on 160 projects from the list. Of these:
 - 118 items with expenditure of EUR 7.3 billion are reported as completed;
 - 18 items with expenditure of EUR 0.5 billion are to be completed by March 2019 with national funds on the basis of the exceptions on unfinished projects contained in the Commission closure guidelines (for which another EUR 0.55 billion is estimated to be needed);
 - 24 items with expenditure of EUR 0.77 billion are phased into 2014-2020 (for further on-going investments of EUR 1.1 billion).The other 21 items with an estimated budget of EUR 1.1 billion were cancelled.

2. Therefore, in budgetary terms about 75% of the PPL was realised, if one includes in the calculation the 2007-2013 expenditure of the phased and the un-completed projects.

The Commission notes that a dedicated meeting of the CONT committee has been scheduled jointly with the REGI Committee in the coming days where the Commission will be able to provide all detailed information to the Honourable Members on the state of progress of the 2007-2013 Greek priority projects.

58. How many recycling plants has the European Union (co-)financed in *Greece*? Where are they located? What was the total amount (in EUR) of EU funding under which EU programme for these recycling plants? Have all these recycling plants still been in use in 2016?

Commission's answer:

In Greece, the sorting at source of the recyclable materials (collection networks and related infrastructure) has been developed mainly by the private sector in the context of the application of "extended producer responsibility".

Under the previous programming periods, EU co-financed the construction of mechanical sorting and composting plant in Attica (public expenditure: EUR 70 million) and in Crete (public expenditure: EUR 25 million), as well as sorting units of recyclable materials in Eastern Macedonia & Thrace (public expenditure: EUR 4.6 million). In addition, an integrated solid waste management plant was co-financed in Western Macedonia as a Public-Private Partnership in the frame of the Jessica Financial Instrument (public

expenditure: EUR 13 million). They are all operational.

Under the programming period 2014-2020, the EU co-financing is scheduled for actions in the field of recycling from separate collection and composting of pre-sorted organic urban waste (forecasted budget: EUR 120 million) and of recovery and disposal operations for residual mixed and organic urban waste (forecasted budget: EUR 680 million). In this context, the integrated solid waste management plants in Epirus and Serres (Central Macedonia) are under construction, as Public-Private Partnerships (public expenditure: EUR 21 million and EUR 15.6 million, respectively).

59. The amount of 9,5 million Euro (16,7 %) of the total eligible expenditure in final interim payments for Bulgaria for the current period have been deducted from the eligible expenditure confirmed in the accounts. Could you specify if these deductions are because of imposed financial corrections? Which is the Commission position regarding the reasons for the deductions and corrections and has there been any exchange with Bulgarian authorities for resolving problems identified?

Commission's answer:

The deductions are the result of ineligible expenditure identified by the managing authority during the performance of its regular management verifications. The deductions of EUR 9.5 million by the certifying authority in the certified accounts is in line with the obligations of Member States to deduct any correction resulting from their verifications and controls on time for the annual accounts, to ensure that only legal and regular expenditure is included in the accounts and that no material error remains in the accounts. These deductions are therefore the result of the work performed by the Member State and not due to the European Commission.

In the context of the assessment of the Bulgarian assurance packages, the Commission assessed the work performed by the different programme authorities including the audit results and opinions reported by the audit authority. It has satisfied itself that the actions taken by the Bulgarian authorities are adequate.

60. The amount of 9,5 million Euro (16,7 %) of the total eligible expenditure in final interim payments for Bulgaria for the current period have been deducted from the eligible expenditure confirmed in the accounts. Could you specify if these deductions are because of imposed financial corrections? Which is the Commission position regarding the reasons for the deductions and corrections and has there been any exchange with Bulgarian authorities for resolving problems identified?

Commission's answer:

The Commission refers to its reply to question 59.

61. In the DG REGIO's 2016 Annual Activity Report there is a full reservation for the Bulgaria – Romania Cross-border Cooperation Programme for 2007-2013. The reported error rate is 9,7 % - one of the highest among all ERDF and CF programs. What reasons has the Commission found to assign such a high error rate? What steps has it undertaken vis-a-vis Romania and Bulgaria in order to overcome the established deficiencies?

Commission's answer:

The Commission is unfortunately not in a position to provide a full answer at this stage of the closure process to the Honourable Member.

The error rate of 9,67% has been reported by the (Romanian) audit authority of this ETC programme in the final control report submitted at closure. Based on its assessment of the closure documentation, the Commission noted that this error rate was not a common projected error rate for the 2015-2017 expenditure, as required in the final control report. The Commission has therefore sent an observation letter requesting additional information to the programme audit authority. The reported error rate as well as the reply of the audit authority will be further assessed and discussed during the fact-finding mission that will take place in Romania in December 2017, in order to obtain full clarity on the closure report.

62. In the Annexes to DG REGIO's Annual Activity Report for 2016 it is indicated that for two out of five Bulgarian operational programmes the national authorities have issued qualified opinions in the Final Control Reports. Which are these programmes and what are the reasons for the qualified opinions? Is it the Commission's position that national authorities should make available within the country in question the qualified opinions contained in the Final Control Reports to the competent institutions such as the national parliament?

Commission's answer:

The two qualified opinions included in the Bulgarian final control reports concern the following operational programmes:

1. Environment 2007-2013 (CCI 2007BG161PO005);
2. Development of the Competitiveness of the Bulgarian Economy 2007-2013 (CCI 2007BG161PO003).

The qualified opinions are issued due to limitations of scope in the audit work carried out by the Bulgarian audit authority included in the final control reports. Such limitations of scope were expressed, as required by the Commission instructions to all Member States, due to the amounts of additional expenditure declared in the final payment claims by the certifying authority but for which the audit authority did not have time to carry out the required audits until 31 March 2017.

Scope limitations in that case trigger requests for additional audit work by the Commission. The additional audit work is currently advanced at the level of the audit authority and a final conclusion will be submitted soon to the European Commission.

Regarding the question on the disclosure of audit opinions of the EU co-funded programmes, the Commission considers it is up to the national authorities to decide

whether to make available or public the information contained in the final control reports to any institution in particular to the national parliament.

63. As of 1 January 2017 there were interruptions and suspensions of payments for three Bulgarian operational programmes for the 2007 – 2013 and there were OLAF investigations in all three cases. What is the Commission's position with regards to these cases? What measures are still expected by the Commission in order to lift interruptions or suspensions and have any of these been already lifted?

Commission's answer:

The Commission needs to correct the information at the disposal of the Honourable Member. As of 1 January 2017, there were no pending interruptions and suspensions of payment procedures for 2007-2013 operational programmes implemented in Bulgaria.

All OLAF investigations are subject to strict monitoring and follow-up by REGIO, which applies financial corrections as necessary before closing the programmes.

OLAF indeed carried out case selections concerning three individual projects under the programming period 2007-2013 in Bulgaria, which have been dismissed.

Financial engineering instruments

64. The Court noted: "The increasing use of other financial mechanisms to deliver EU policies alongside the EU budget risks undermining this level of accountability and transparency, as reporting, audit and public scrutiny arrangements are not aligned." Does the Commission share this opinion? If not, why not?

Commission's answer:

The Commission does not share the European Court of Auditor's opinion.

The current EU financial architecture has made it possible to mobilise funds for new priorities and to do more with less. The EU budget is not the only tool to finance EU policies. However, the EU accounts include all instruments and consolidate all agencies with an impact on the EU budget. The EU accounts are audited by the Court. Some mechanisms were created to respond to the Euro area crisis and are of an inter-governmental nature. For this reason, they are outside the framework of the EU budget. Other instruments such as EFSI complement the more traditional delivery mechanisms of the EU budget, enhancing its outreach and leverage effect.

Concerning the new financial mechanisms, all bodies managing them provide yearly accountability reports and an opinion by an external auditor. Moreover, for reasons of accountability and transparency, specific reports such as on financial instruments, trust funds and the Facility for Refugees in Turkey are also provided.

65. Parliament point out in paragraph 309 of its 2015 Commission discharge resolution that“ (...)regrets the Court’s observation on the extension of the eligibility period of disbursements made to final recipients within financial instruments by means of a Commission decision rather than an amending regulation; expresses concern in the event that the Court were to rule all disbursements after 31 December 2015 as irregular; notes with concern that a significant share of initial endowments of ERDF and ESF financial instruments during 2007-2013 programming period was spent on management costs and fees;” Has the Commission recovered money spent, according to the Court EUR 2,5 billion, under financial instruments from the previous MFFs for which the eligibility periods had expired? The Parliament and Court consider these expenditure to be irregular and illegal. If the Commission does not share The Court’s and Parliament’s legal position, please explain why.

Commission's answer:

The Commission does not share the European Court of Auditor's position and has expressed its legal position on the same observation in its replies the Court's Annual Reports already for the years 2014 and 2015 and in the corresponding debates to the discharge institution. The Commission considers that the modifications introduced in its closure guidelines were within the scope of Article 78(6) of Regulation (EC) No 1083/2006, as amended, and therefore did not require an amendment of the legislative act. In line with the European Council's recommendations of December 2014 the Commission has acted within the margin offered by the existing regulatory framework. The Commission therefore notes that Article 78(6) of Regulation (EC) No 1083/2006 offers a clear derogation from paragraph 78(1) and expressly defines rules for eligible expenditure in financial instruments at the partial or final closure (defined as 31 March 2017) of operational programmes (payments into final recipients and management fees), while statements of expenditure include total expenditure paid in establishing such financial instruments. The Commission therefore did not introduce an extension of the eligibility period for disbursements made to final recipients within financial instruments through its closure guidelines, since this was already explicitly foreseen in the regulation by referring to eligible costs at closure.

The Commission therefore disagrees it would have to recover any amount incurred in financial instruments between end 2015 and the closure deadline. The Commission is currently verifying the amounts reported at closure by Member States and in particular that all declared expenditure corresponds to the eligibility criteria defined in Article 78(6) of Regulation (EC) No 1083/2006, as amended.

66. Given that the actual target for payments from ERDF and Cohesion Fund to financial instruments for 2016 was 5 billion Euro, would you indicate whether this target has been met? Taking into account that these are payments to financial intermediaries and not to final recipients is there any information what is the amount of the actual funding disbursed to final recipients through ERDF and CF supported financial instruments for the past 3 years of the current programming period until now?

Commission's answer:

There are no regulatory targets for payments from ERDF and Cohesion Fund to financial

instruments in the current programming period.

At the end of December 2015, managing authorities in 21 Member States reported information concerning the progress in setting up financial instruments covering 59 operational programmes:

- o For 111 financial instruments ex-ante assessments have been completed, out of which 65 have received commitments from managing authorities. At least 12 of these instruments can be considered fully operational and have made investments in final recipients.

- o The total volume of operational programme contributions committed to financial instruments amounts to EUR 5,5 billion out of which EUR 5 billion from ERDF and CF. Around 20% of the amounts committed has been paid to financial instruments (payments into instruments are phased under the current programmes). Amounts committed to final recipients follow closely the amounts available in the funds (EUR 1 billion). Out of these committed amounts EUR 98.5 million had been paid to final recipients (out of which EUR 91.2 million ERDF) at the date of reporting.

- o The largest share of funding is assigned to support to SMEs (TO3): EUR 985.7 million. Investments in low carbon economy (TO4) have been allocated: EUR 893.61 million. Innovation and R&D (TO1), one of the new investment areas introduced in 2014-2020, demonstrates a comparatively high interest by Member States: EUR 728.77 million.

On that basis, the Commission provided summaries of the data on the progress made in financing and implementing financial instruments in the 2014-2020 period. The data on the progress of implementation of financial instruments at 31 December 2016 are being aggregated and the summaries of data will be published and provided to the European Parliament at the end of December 2017.

67. The Court examined whether financial instruments in the areas of regional, social, transport and energy policy were an efficient way to implement the EU budget during the period 2007-2013. They identified a number of significant obstacles. What did DG REGIO improve?

Commission's answer:

When preparing the 2014-2020 legal framework for the shared management financial instruments, the Commission addressed the challenges detected in the 2007-2013 period in order to provide Member States with clarity and legal certainty. In doing this, it carefully considered past recommendations of the European Court of Auditors (the Court).

The Court's audit on Implementing the EU budget through financial instruments — lessons to be learnt from the 2007-2013 programme period (SR No 19/2016), identified a number of issues that limited the efficiency of financial instruments as a mechanism to implement the EU budget during the 2007-2013 programme period. The Court's special report (19/2016) highlighted the issues based on data as of end 2014. By closure, the most important issues raised by the Court had evolved significantly.

Regarding the oversizing of funds identified in the special report, the final summary of

data on the progress made in financing and implementing financial instruments at the end of March 2017 showed a disbursement rate to final recipients, reported by managing authorities of 93%. This represents a significant increase in the payments to final recipients compared to previous years (75% end of 2015 and 57% end of 2014).

Regarding leverage, significant variations between financial engineering instruments exist, in some cases reaching up to 20 times for guarantees and loans, and up to 18 times for equity. In addition, more than EUR 8 billion are estimated as resources returned (including those resources which are with the final recipients to be returned at some point in the future).

Regarding the levels of management costs and fees, based on the 81% of financial instruments on which reporting was received by the Commission, cumulative management costs and fees amount to EUR 0.9 billion and accounted on average for 6.7% of the total payments to the financial instruments. The annual average of the fees is 1.26% which is in line with the regulatory thresholds.

The Commission considers that the effect of the issues identified by the Court varies between Member States, types of financial instruments and the moment of the life-cycle when the audit took place and that, overall, financial instruments remain an efficient and effective way of delivering EU funds.

68. Current allocations show that EUR 20.1 billion of ERDF and CF is planned to be delivered through financial instruments. However, in relation to financial engineering instruments, there is the risk that audit authorities did not sufficiently cover implementation of the instruments. For instruments managed by the EIB/EIF, there is a risk that, due to fact that audit authorities have not been able to carry out audit work at the level of the EIB/EIF, audit authorities may provide either qualified audit opinions or scope limitations at closure. How does DG REGIO mitigate that risk?

Commission's answer:

The Commission understands the question of the Honourable Member as referring to both the previous and current programming periods when it comes to some restrictions or difficulties in the audit work to be performed by the programme audit authorities.

Concerning the programming period 2007-2013, some audit limitations were due to the specific situation of financial instruments whose final eligibility can only be proven at closure. In such cases audit authorities had to indicate the impact of the expenditure that they could materially not audit on time for closure. In case of significant amounts, audit authorities were required to disclose scope limitations, with an impact on their audit opinions (qualification). The Commission analysed the impact of the scope limitations and requested audit authorities to finalise their audit work whose results will be disclosed in the 2017 Annual Activity Report (April 2018). Regarding the financial instruments set-up and managed by EIB in the previous programming period, and for which audit authorities had access restrictions, the Commission and EIB reached an agreement to use independent external audits through Agreed Upon Procedures. All concerned audit reports were provided to the national authorities and the Commission, thus contributing to the additional assurance needed at closure for the concerned financial instruments.

For the current period, the European Court of Auditors (the Court) issued a

recommendation in its 2016 annual report on the audit coverage for financial instruments managed by the EIB (recommendation 2.b): "*The Commission should make sure that the audit arrangements are adequate at the level of both financial intermediaries and final recipients*". The Court stated that the final approval of the amendments proposed to the existing legal basis in the context of the Omnibus regulation would be instrumental in this regard.

In relation to the programming period 2014-2020 the Commission published in September 2016 its proposal for Omnibus, in order to simplify and harmonise the control and audit requirements and to improve the accountability of the financial instruments implemented by EIB and other International Financial Institutions. The Commission proposed to amend the provisions on management and control for financial instruments (Article 40 of the Common Provisions Regulation) to facilitate the assurance process.

The application of the following assurance model for instruments implemented by EIB and other International Financial Institutions for on-the-spot management verifications and audits is therefore foreseen:

- The EIB will provide to the managing and audit authorities control reports with each application for payment. It will also provide to the programme authorities and to the Commission as well an annual audit report drawn up by its external auditor;
- National authorities (managing, certifying and audit) authorities cannot carry out on-the-spot verifications/audits at the level of the EIB or other international financial institutions; however, they shall carry out verifications/audits at the level of bodies implementing the financial instruments and, where necessary, at the level of final recipients in the conditions fixed in the regulation;
- The Commission may carry out audits at the level of the bodies implementing financial instruments, where it concludes that this is necessary to obtain reasonable assurance given the risks identified;

The European Court of Auditors is the external auditor of EIB.

69. The Court found inaccurate data in information provided by Member States about the implementation of ERDF/ESF financial instruments (in four of the 12 financial instruments examined). Which cases were concerned, which inaccuracies were found and what measures did the Commission take?

Commission's answer:

The Honourable Member is invited to address its request for the concrete cases concerned to the European Court of Auditors (the Court).

The inaccurate data in the reporting mentioned in the Court's report does not have any impact on the closure of the concerned instruments. At closure Member States have to certify the effective use of the funds in relation to financial instruments. This expenditure must have been checked by managing and audit authorities before submitting the closure package. Indeed, for a number of operational programmes, the audit authorities expressed limitations to their audit opinions due to the need to finalise their audit work in that respect. This ongoing audit work covers, among others areas, the disbursements at the level of final recipients. Therefore, the Commission will not close the relevant

programmes until reasonable assurance on the amounts effectively disbursed and their eligibility is obtained. Otherwise it will apply required appropriate financial corrections.

70. As to the reliability of information reported by the Member States on the implementation of financial instruments the Court found instances of overstating performance and in case of guarantee funds artificially increased amounts of eligible expenditure at closure. How could the work of the managing and audit authorities be improved in that regard?

Commission's answer:

The European Court of Auditors identified risks linked to eligible amounts reported for financial instruments. The Commission has therefore granted specific attention to these areas of risk during its assessment of the closure documents received from the programme authorities. In each case of doubt additional information and clarifications have been requested from the concerned programme authorities. The replies of the Member States are either pending or under assessment.

The Commission also requested audit authorities to pay particular attention at closure to financial instruments, and to cover the risks identified during previous audits, including those reported by the Court.

As for the point on the artificially increased amounts of eligible expenditure at closure, the Commission services are ensuring that at closure only the eligible expenditure for guarantees in line with the regulatory requirements is reimbursed by the Commission. In case that the final payment declaration contained ineligible expenditure, the necessary financial corrections will be applied.

The Honourable Member is also referred to the Commission reply to question 69.

71. Only 75% of all funding through ERDF and ESF financial instrument had been used. What are the reasons for the low disbursement rate for financial instruments?

Commission's answer:

The Commission underlines that the disbursement rate to final recipients of 75 % was that reported at end of 2015. According to the Commission report issued by 1 October 2017 on the situation at closure (end of March 2017) on the basis of data reported by Member States, the reported disbursement rate to final recipients reached 93% (plus management costs of 6.7%). This represents a significant increase in the payments to final recipients compared to previous years (75% end of 2015 and 57% end of 2014).

Member States had to deduct at closure remaining amounts in financial instruments not fully used in accordance with Article 78(6) of Regulation (EC) 1083/2006. The Commission is currently assessing that this was done correctly. The Honourable Member is also referred to the Commission reply to questions 69 and 70.

72. How would you explain the great differences among the disbursement rates for financial instruments in Cohesion? Why is the situation so heterogeneous among Member States and what is the Commission doing in order to narrow the gap?

Commission's answer:

The heterogeneous situation between Member States is due to a number of factors including the financial crisis and the situation of the markets following that crisis, limited experience in some Member States and the late start of some instruments in the programming period. The Commission has worked constantly during the last years with the concerned Member States through different measures such as the task force on better implementation, guidance, training sessions and seminars. The result of these efforts and tools is reflected in a disbursement rate to final recipients of 93% reported at closure (compared to 75% by end 2015).

73. During the period 2007-2013 EUR 16,4 billion were paid to FEI, including EUR 11,3 billion from structural funds. Member States reported that EUR 8,5 billion of resourced “were returned”. Where was the money returned to? To whom does it belong? Who decides what will happen with this money?

Commission's answer:

In accordance with the sound financial management principle and the first subparagraph of Article 78(7) of Regulation (EC) 1083/2006 (the General Regulation), interests and other gains that should accrue to the financial engineering instrument itself must be added to the investment capital of the fund or used for the payment of management costs or fees.

In accordance with the second subparagraph of Article 78(7) of the General Regulation the managing authority should ensure that any resources returned to the financial engineering instrument (due to the revolving nature of such instruments, through the reimbursement of loans etc.) which are attributable to the Structural Funds contribution are either re-used by the instrument for further investments; or are used to cover management costs and fees of the financial engineering instrument; or must be allocated to the competent authorities for further utilisation to the benefit of the same type of action(s) in line with Article 78(7) of the General Regulation.

The re-use of the resources returned as foreseen by this paragraph can take place until and beyond the end of the eligibility period. The "competent authorities of the Member States" referred to in the second paragraph of Article 78(7) of the General Regulation need not be managing authorities and can be other national authorities (including at regional or local level) namely those responsible for implementing national policy objectives in the relevant areas.

74. The biggest share of payments (89%) went to financial engineering instruments (FEI) for enterprises, 7% to urban development and only 4% to projects concerning energy efficiency and renewable energy. Does the Commission consider this ratio to be “healthy”? What measures has the Commission taken to arrive at a better balance?

Commission's answer:

The first financial engineering instruments (FEIs) set up according to the Structural Funds Regulations for 2007-2013 (the General Regulation) targeted predominantly enterprises, and in particular SMEs, building upon the experience of instruments from two previous programming periods. The General Regulation opened a possibility to establish FEIs to invest also in urban development projects and further to its amendment in June 2010 it became possible to establish FEIs to invest in legal or natural persons carrying out specific investment activities in energy efficiency and renewable energies.

The balance of the investment in these areas reflects the novel nature of the FEIs to invest in urban development and energy efficiency (and later legal possibility for the former) and also the demand for such type of instruments. Financial instruments provided an easier access to capital market to enterprises, and particular SMEs, which badly needed it particularly in the aftermath of the financial crisis.

75. The Commission states that by the end of March 2017, 170 000 jobs were created. That means 17 000 jobs a year in 25 participating Member States, i. e. 680 per country/per year. Can this be called a “success story”, when the use of FEIs cause at the same time less transparency and democratic accountability?

Commission's answer:

Reporting by managing authorities on jobs created in the implementation of financial engineering instruments (FEIs) operations was an optional part of the reporting exercise under 2007-2013 programmes (meaning the managing authorities were not obliged to report this information).

While the quality of reported data improved year on year, still the data were not complete. In view of these limitations, calculations as mentioned in the question of the Honourable Member do not necessarily reflect reality. The data should be looked at on the level of each individual FEI taking into account the nature and objective of that particular instrument.

The Commission considers that FEIs under Cohesion Policy are a delivery mode as transparent and accountable as grants and are subject to the same obligations for management verifications and audits.

76. On average, how high are the management fees charged by banks or financial intermediate bodies per project? Did the Commission negotiate the level of management fees?

Commission's answer:

Under shared management, for any operation selected under a co-funded programme be it

a financial engineering instrument or grants, a financing contract/agreement is signed between the programme managing authority and the beneficiary. The Commission is not part of the contract and thus, cannot negotiate the level of management costs and fees of financial instruments, nor the budget of each decided operation.

However, for financial instruments specifically the Commission established a legal framework for these negotiations by establishing maximum thresholds of management costs and fees which can be reimbursed from the Funds (Article 43(4) of Regulation No 1828/2006 for 2007-2013 and Commission Delegated Regulation No 480/2014 for 2014-2020). The regulation also foresees that an open and competitive tender in line with applicable public procurement rules allow for higher percentages of eligible management fees if it proves necessary giving the particular market conditions.

The Commission does not have such detailed data to provide the average amount of fees charged by hundreds of fund intermediaries per project. However, managing authorities reported at closure management fees charged of 6.7%. According to the Commission's calculations, this corresponds to annual average fees of 1.26%, which falls within the thresholds set in the regulatory framework for 2007-2013 explained above.

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