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## **WORKING DOCUMENT**

on the European Court of Auditors' Special Report No 16/2017 (2016 Discharge): "Rural Development Programming: less complexity and more focus on results needed"

Committee on Budgetary Control

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## **Audit scope, objective and approach.**

The EU's rural development policy aims to make agriculture more competitive, ensure the sustainable management of natural resources and climate action, and achieve balanced territorial development of rural economies and communities, including the creation and maintenance of employment. The EU plans to spend nearly 100 billion euro for the period 2014-2020.

The European Agricultural Fund for Rural Development (EAFRD) provides financial support for measures carried out by the Member States through national or regional Rural Development Programmes (RDPs), which are prepared by the Member States and approved by the Commission.

An objective of the EU strategic framework for 2014-2020 was to focus more on results.

The Court of Auditors examined whether the new legislative framework (Common Provisions Regulation (CPR), EAFRD and related Commission regulations) reflected an enhanced focus on performance and whether the new programming process enabled and resulted in the production of quality RDP's thus potentially contributing to better results. In order to do so, the Court focused on checking:

- the RDPs' consistency, complementarity and synergy with higher-level strategic documents and
- the definition and incorporation of the reinforced intervention logic in the RDPs.

Additionally, the Court analysed whether the new performance framework is likely to enhance the focus on results and the timeliness of RDP approval.

The audit was carried out from March 2016 to February 2017 and was based on a review of information and documents from the Commission and the Member States on the approval process for a selection of RDPs: 10 approved RDPs (both national and regional), complemented by two RDPs reviewed by the IAS.<sup>1</sup>

## **Court's findings and observations**

1. The Court found that the design of the 2014 – 2020 programming framework was more ambitious, but implementation was affected by significant shortcomings. Furthermore despite Commission's efforts, the start of RDPs' implementation, similarly to previous programming cycle, was delayed and the implementation of planned spending over the first three years was lower than in the previous period.

The post 2020 CAP is currently under political debate and at this stage, it is unknown what will be its exact shape in the future. In preparing its recommendations, the Court assumed that future rural development policy would involve significant continuities with the current framework.

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<sup>1</sup> Belgium (Wallonia), Germany (Baden Württemberg), Ireland, Greece, Spain (La Rioja), France (Lorraine), Italy (Campania), Austria, Poland and Romania, complemented by Denmark and the United Kingdom (England).

The aim of integrating the EAFRD with other European Structural and Investment Funds was to increase the thematic concentration of EU spending by ensuring that the RDPs made a clear contribution to the Europe 2020 priorities, but also to foster coordination, complementarity and synergies between programmes. In practice, although this resulted in RDPs being consistent with strategic documents such as the Partnership Agreements<sup>1</sup>, the RDPs' contribution towards thematic objectives is difficult to assess because the relationships between the various programming documents are complex. Complementarity, synergies and coordination between RDPs and programmes from other ESIFs are not satisfactorily developed.

2. While the Commission sought to balance the amount of information presented in the RDPs, RDPs reviewed by the Court of Auditors were lengthy and required a significant administrative effort on the part of national authorities to meet the extensive new content requirements.

However, the main goal of addressing specific territorial needs better and demonstrating more clearly the links between identified needs and selected support measures is not achieved.

3. The Court found that the new performance framework has limited potential to enhance the focus on performance and results.

The Common Monitoring and Evaluation System has the potential to improve the way rural development policy is monitored in that it could provide a step in the direction of addressing the vicious circle of defining contents of new programmes without timely result information from the previous periods. However, the lack of adequate assessments of the quality of data collection, combined with shortcomings in the choice of indicators and the fact that most result indicators do not fit the definition of a “result” indicator, are a significant limitation in terms of measuring policy results and their contribution to the Europe 2020 strategy.

The “performance reserve” is a misnomer because the indicators used for the performance review do not measure policy results but explicitly seek to measure expenditure and direct output. This being the case, the performance framework does not provide information about the RDPs' objectives and expected results. Moreover, the audit confirmed the inherent risk of RDPs setting unambitious milestones and targets to avoid possible sanctions in the event of underperformance. In any case, when relevant milestones are not reached, the performance reserve is not lost as it can be reallocated to other priorities, and potential financial sanctions are not based on result indicators.

4. The Court found that the programming process required significant efforts by the Commission and the Member States, but that the implementation of the RDPs began more slowly than in the previous period.

Support for Rural Development programming is a multi-stage process in which RDPs are the last stage. The financial allocation per Member State and the strategic legislative

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<sup>1</sup> Partnership Agreements entered into by the European Commission and each Member State for the 2014-2020 programming period. PAs set out the national authorities' plans on how to use funding from the European Structural and Investment Funds and outline each country's strategic goals and investment priorities, linking them to the overall aims of the Europe 2020 strategy for smart, sustainable and inclusive growth.

framework are decided by the EP and the Council before the programmes are drafted. RDPs should therefore be viewed more as tools for bringing national and European perspectives into line than as documents triggering the process of building national RD strategies from scratch.

Despite the RDPs' rather limited role in the multi-stage process described above, a considerable administrative effort was required of the Commission and the Member States to prepare and approve all the RDPs. A long delay in adopting the legal framework (December 2013) impacted the timeframe for submitting and approving the programming documents; when combined with complex RDP content requirements, this meant that RDPs were approved and new programmes implemented after the programming period has already started.

A total of 118 RDPs were approved by the Commission within a 20-month period (April 2014 - December 2015), these figures compare favourably with the 94 RDPs approved within 24 months for the 2007-2013 programming period. However, despite the efforts made, RDPs were approved later than in the previous period and most of them did not start to be implemented before mid-2015; with some starting, only in 2016.

Consequently, about 90 % of the EAFRD financial plan remained unspent at the beginning 2017 (the fourth year of the programming period) whilst the equivalent figure in the previous period was 83 %. This entails a risk to full implementation of the financial plan, as well as an emphasis on absorption, meaning that the results-oriented approach endorsed by the Commission is undermined.

Delays in implementing programmes under the MFFs are general and recurrent problems, increasing the risks of excessive focus on absorption and planning new MFF before having the results of EU spending under the preceding one.

### **Replies of the Commission**

The Commission accepts recommendations of the Court partially or in full.

### **Draftsman's recommendations for possible inclusion in the annual discharge report**

The European Parliament recommends that:

1. When preparing the post 2020 programming period, in order to enhance the focus on performance and results, increase integration between RDPs and other programmes and to improve assessments of the RDPs' contribution towards the strategic objectives:
  - (a) the Commission ensure that its policy proposals indicate how consistency between individual programmes will be enhanced through further development of requirements.
  - (b) the Member States specify how coordination, complementarity and synergy mechanisms will be implemented, followed up and reported on in the context of overarching EU objectives and rules.

Target implementation date: for (a) should be by the time the proposals are published and 2022 for (b)

2. The Commission review the design of programming documents with a view to simplifying their content and reducing the number of requirements for the post-2020 programming period. In particular, it should limit programming documents' structure to those elements and options that are essential for correct planning, implementation and monitoring of RD expenditure.

Target implementation date: end of 2020

3. The Commission work with the Member States to ensure that the enhanced annual implementation reporting of 2019 provides clear and comprehensive information on programme achievements and that the required answers to common evaluation questions provide an improved basis for the next programming period.

Target implementation date: end of 2018

4. When preparing the post 2020 programming period, the Commission define more accurately, in the context of overarching EU objectives for agriculture and rural development, the types of indicators to be set in order to assess the results and impact of rural development interventions. It could benefit in this process from the experience and solutions already developed by other international organisations (e.g. the WHO, the World Bank and the OECD) focussing on performance and results.

The Commission need to ensure the continuity of the type of investment currently carried out by the second pillar of the common agricultural policy, which is an essential financing instrument for boosting economic growth promoting competitiveness, innovation and employment in lagging regions' rural and mountainous areas and ensuring sustainable rural development.

The Commission promote and facilitate national cooperation and networking in order to disseminate good performance measurement practices developed at national level.

Target implementation date: end of 2020

5. For the post 2020 programming period, the Commission review and take stock of the experience from the implementation of the current system including:
  - (a) the impact of the performance reserve and what alternative mechanism(s) could better improve performance;
  - (b) the appropriateness and measurability of result indicators used to access the performance reserve and;
  - (c) the use made of financial sanctions to address underperformance.

Target implementation date: end of 2020.

6. The Council and the Commission consider aligning the long-term strategy and policy-making into line with the budgetary cycle and conducting a comprehensive spending review before a new long-term budget is set.

In order to allow approval of RDPs at the start of the next programming period, the

Commission should indicate in its legislative proposals what changes in the timing of policy design, programming and implementation are included to ensure that RDPs can be approved at the start of the next programming period to allow for timely implementation from 2020.

Target date – publication of legislative proposals (mid 2018)

7. Is of the opinion that the decision on the duration of the MFF should strike the right balance between two seemingly conflicting requirements: on the one hand, the need for several EU policies – especially those under shared management, such as agriculture and cohesion – to operate on the basis of the stability and predictability of a commitment of at least seven years, and, on the other hand, the need for democratic legitimacy and accountability that results from the synchronisation of each financial framework with the five-year political cycle of the European Parliament and the European Commission.