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WORKING DOCUMENT

on the European Court of Auditors' Special Report No 12/2015 (2014 Discharge): "The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures"

Committee on Budgetary Control

Rapporteur: Karin Kadenbach

Audit scope, objectives and approach

The Court conducted an audit of the procedures for the management and control of the spend on knowledge-transfer and advisory measures in the 2007-2013 programming period with a view to providing meaningful recommendations regarding the new programming period.

Total EU funding allocated to these activities for that period amounts to 1.3 billion euro; co-financing will bring total public support to 2.2 billion euro. The audit focused on answering the following question:

Are there management and control systems in place to deliver rural-development knowledge-transfer and advisory measures effectively?

With regard to this, the Court's report provides answers to the following sub-questions.

1. Are there procedures in place to identify and select the most relevant knowledge-transfer and advisory services for rural operators?
2. Are procedures in place to ensure cost-effective and coordinated delivery of knowledge-transfer and advisory services?
3. Are procedures in place to monitor and evaluate the results of the knowledge-transfer and advisory activities?

The audit covered the 2007-2013 programming period and made the link, insofar as possible, with the next programming period, in which only entities providing training and advice to final recipients (rural operators) will benefit from the measures. The audit therefore focused on this type of beneficiary over the 2007-2013 period.

The audit was carried out between July 2014 and February 2015. Audit evidence was collected through documentary reviews, audit visits to the managing authorities and to service providers in five Member States (Spain (Galicia), Austria, Poland, Sweden and the United Kingdom (England)) and a survey. The Court conducted a survey of 19 Member States, covering a sample of 25 Rural Development Programmes in order to ascertain the reasons why Member States had not made full use of all the measures available.

The Court's choice of Member States was determined by its objective of covering all four measures and having a balanced geographical spread. The audit visits and the survey covered the Member States responsible for more than 65 % of the expenditure of knowledge-transfer and advisory measures.

Court's findings and observations

Analysis of need

1. The Court found that although the Member States implemented procedures to identify the knowledge and skills needs of rural operators, the identified needs were defined in terms which were too broad. They did not go further to identify the most relevant activities (i.e. concrete training courses) within these areas and relied mainly on the providers' proposals. In the Court's view, provider and stakeholder involvement can potentially lead to better measure delivery, but the ultimate responsibility remains with the Member State

authorities.

With specific regard to EAFRD support for the setting-up of advisory services (former measure 115¹), support had sometimes been used to finance long-standing advisory bodies for the setting-up of services that were in fact not new.

Selection of providers

2. In the 2007-2013 programming period Member States were legally required to ensure that only high-quality providers of advisory services were selected. Such a provision did not exist for training providers and, with regard to this, the audit revealed several weaknesses in the Member States' management. The introduction of legal requirements in the new programming period concerning appropriate capacities of training providers may help to remedy these problems.

The Court found, however, that most of the Member States audited did not always ensure fair and transparent competition when selecting and service providers.

Merely referring to public procurement does not ensure competitive selection, as there is, in particular, no clear guidance provided with regard to in-house delivery, subcontracting and the assessment of service delivery by consortiums, despite these practices being widely used.

Cost effectiveness

3. The Court found weaknesses in the checks Member States must carry out, both at application stage and at payment stage. There are indications that Member States paid too much for certain services and that related costs were insufficiently justified.

The audit further revealed that a considerable number of similar services are financed by different EU funds (e.g. from the ESF as well as through the EAFRD). This implies the risk of double-financing and requires the duplication of costly management structures, which the Court considers to be uneconomic. For the 2014-2020 programming period complementarity between EU funds is stressed above the previous policy of demarcation², this implies a greater need for coordination to avoid the risks outlined above. The Court has analysed the partnership agreements and it is not clear in the case of several Member States how the coordination weaknesses that occurred in the 2007-2013 programming period will be overcome in the new period.

Monitoring evaluation and feedback

4. As regards monitoring and evaluation of the results of knowledge-transfer and advisory

¹ Financial support for knowledge-transfer and advisory services in rural areas is granted under the European Agricultural Fund for Rural Development (EAFRD). In the 2007-2013 programming period this support was granted through the following four measures: Measure 111: Vocational training and information actions. Measure 114: Use of advisory services. Measure 115: Setting up of management, relief and advisory services. Measure 331: Training and information.

² In order to avoid double-financing of the same activities by different funds, Member States were required to draw demarcation lines between the various funds in their RDPs and to implement effective management procedures.

activities, the Court concludes that the Commission and the Member States do not have effective and efficient procedures in place. The Court found no examples of systems in place where results from previous calls for proposals or tenders feed back into the knowledge and skills analyses and from there to the design of upcoming selection procedures.

Furthermore, the Court found additional confirmation that the common monitoring and evaluation framework for rural development (in the 2007-2013 programming period) data are not reliable. The counting of beneficiaries only provides, in the Court's view, information on the popularity of certain services but not on their quality and effectiveness. The result is that despite many millions of euro being spent and several million training days being organised the Commission and Member States are not aware of the impact of the measures provided nor which activities contribute best to the objectives set.

Commission supervision

5. The Commission's management of the measures does not match up to the ambitions set for the activities or the expected contribution to EU priorities. The Court is of the opinion that the Commission did not sufficiently fulfil its responsibilities within the shared management arrangements, in particular as regards the monitoring of the management and control systems established in the Member States.

Best practices

6. Some examples of good practice exist, with Member States making efforts to collect useful information regarding the impact of knowledge - transfer and advisory activities.

Replies of the Commission

The Commission stresses that its mission is to ensure that the rural development programmes are consistent with the policy objectives and legal requirements. The actual implementation falls under the responsibility of the Member States. The Commission is of the opinion that there is room for improvement in the ex-ante analysis carried out by the Member States before they launch the calls for tenders or proposals. The Commission recognises that in order to choose the best service providers the selection should be based on an open and fair competition measured as a ratio price/quality but it notes that ensuring that these procedures are in place falls within the responsibility of Member States. The Commission accepts the recommendations made by the Court in particular on the need to improve its guidance but points that it already started to implement them.

Draftsman's recommendations for possible inclusion in the 2014 Commission discharge report:

The European Parliament requests that:

- the Member States have procedures in place to analyse the knowledge and skills needs of rural operators that go beyond the setting of broad themes notably for the calls for proposals or tender periods and that the Commission provides additional guidance on how Member States should carry out such recurrent analyses and formulate them analyses in specific rather than general terms;

- the Member States ensure that support for the setting-up of new advisory services is granted only where there is a demonstrated deficit in relevant services in the area concerned and where the need for financing new staff, facilities and/or equipment exists;
- the Member States select the service providers to receive public funds through fair and transparent competition, regardless of whether they use calls for proposals or formal public procurement procedures;
- the Commission provides additional specific guidance on in-house delivery, subcontracting and the assessment of service delivery by consortiums and adequately monitors the Member States' procedures to ensure that the selection of knowledge-transfer and advisory activities is competitive, fair and transparent;
- the Member States assess the need to support knowledge-transfer and advisory activities which are readily available on the market at a reasonable price and when this need is justified that Member States ensure that the costs of the supported activities do not exceed the costs of similar activities offered by the market;
- the Commission builds on the first steps taken to ensure complementarity between EU funds in order to mitigate the risk of double-funding and duplication of administration;
- the Member States establish feedback systems that use monitoring and evaluation information to improve upcoming calls for proposals or tendering procedures and that the Commission provide guidance on how Member States may execute such recurrent feedback procedures and monitor that Member States have them in place;
- the Commission increases, without delay, the risk profile of knowledge-transfer and advisory measures and enhances its supervision and management accordingly;
- the Member States share their best practices and continue their projects evaluation to have a good basis for the 2014-2020 implementation period;
- the Commission promotes exchange of good practices on methodological approaches in the context of networking activities.