

2014 Discharge to the Commission

ADDITIONAL WRITTEN QUESTIONS TO COMMISSIONER CREU Hearing on 7 December 2015

EU 2020/spending based on results/added value

According to commissioner reply "Out of a total of 157 country specific recommendations for 2014, more than two thirds have been considered as relevant for cohesion policy".

1. Will the Commission in future give detailed, comprehensive and transparent information by Member State in which way DG REGIO contributed to the country specific recommendations in the annual activity report of the director general?

Commission's answer:

The Commission reviews the Member States response to the CSRs through the European Semester process and this is addressed through the annual Country Reports.

The standard instructions by the Secretariat General do not foresee that Directorates general and Services provide specific information in their annual activity reports on CSRs.

During 2014 and 2015 DG REGIO ensured that all Member States' Partnership Agreements and operational programmes took account of relevant country specific recommendations, in other words, the OPs are able to break down the investment priorities and objectives of the Partnership Agreements into concrete actions.

2. What is the Commission's reaction to the ECA's opinion that the new Partnership Agreements do not sufficiently reflect the EU 2020 objectives?

Commission's answer:

The Commission considers that the ECA's opinion on the new Partnership Agreements not sufficiently reflecting the EU 2020 objectives stems from the fact that there was a clear difference of understanding on a) the purpose of the Europe 2020 strategy and objectives and b) the role of Partnership Agreements (PAs) in comparison with Operational Programmes (OPs) in Cohesion Policy.

a) the purpose of the Europe 2020 strategy and objectives : alignment of the ESIF programmes to the Europe 2020 objectives is ensured through the thematic objectives, which reflect the high-level objectives of the Europe 2020 strategy. Thematic objectives constitute the framework for defining specific objectives, accompanied with indicators, baselines and targets, at the level of the investment

priorities in each ESIF operational programme. This is not defined at the level of partnership agreements.

The 11 thematic objectives and other elements set out in the legislation 2014-2020 for all five ESI Funds translate these Europe 2020 objectives into operational objectives at the level of the operational programmes. Thematic concentration is foreseen by the regulation to focus investments.

The Commission's view is that the Europe 2020 headline targets are ambitious but achievable EU wide policy goals for the Union and Member States, not only for the EU budget. They have a role as policy anchors easy to communicate. However, they are not exhaustive and a qualitative assessment remains necessary to monitor progress, as the 2008 financial and economic crisis has shown. This is the reason why the Commission did not subscribe to a linear or mechanistic approach in applying the Europe 2020 targets to the EU budget.

The upcoming special audit of the Court on the Partnership Agreements and the performance-focused framework in Cohesion Policy should allow clarifying the debate and reach a common understanding on the 2014-2020 framework as it has been agreed by the legislators after a lengthy and complex legislative process. The Commission's priority has been to implement the legislation and the approach agreed when negotiating the programmes.

b) the role of PAs in comparison with OPs: Moreover, the identification of operational objectives is not done at the level of Partnership Agreements, as the Court expected, because programming must take into account the specific needs of each region and translate them at the level of operational programmes.

The results of the analysis of the negotiations on the Partnership Agreements (as required under Article 16 of the Common Provisions Regulation 1303/2013 for ESI Funds) have just been published (see reply to question 3). One of the conclusions is that the funding priorities for 2014-2020 Partnership Agreements and operational programmes were rooted in the Europe 2020 objectives, the relevant country-specific recommendations and the socio-economic analysis at Member State and regional level. This analysis was not available at the time of the Court's audit therefore the Court did not have all information available at the time of its assessment.

3. Will the Commission transmit to CONT its analysis on the Partnership agreements? If yes, when?

Commission's answer:

The Commission's understanding is that the Honourable member refers to the expected Communication from the Commission presenting the main results of negotiations between Member State authorities and their partners, including regional and local actors, and the Commission, on their investment programmes further to the ESIF reform. This Communication which responds to the requirement of Article 16(3) of the Common Provisions Regulation 1303/2013 for ESI Funds has just been adopted. A copy has already been provided to the CONT secretariat by e-mail dated 16/12/2015.

DG Regional and Urban Policy has performed in 2014 a pilot assessment of the performance of each operational programme. This analysis arrived at the conclusion that the performance of the programmes is considered to be:

- poor for 9% of programmes, the main reasons being a low rate of implementation of the programmes, weaknesses in management and control systems, delays in several projects and issues in the implementation of financial instruments;
- critical for 3% of programmes, the mains reasons being a low rate of implementation of the programmes, delays in the implementation of major projects, weaknesses in management and control systems and
- issues in the implementation of financial instruments.

4. How will DG REGIO refine this analysis?

Commission's answer:

A second annual exercise aiming at assessing the performance of ERDF 2007-2013 programmes is currently ongoing, in view of the 2015 annual activity report. This is still part of the pilot work initiated in 2014 and targeting 2007-2013 programmes, for which limited information on performance had to be provided by the Member States.

Lessons learnt from these two pilot exercises have already started feeding the preparatory work for developing a structured and coherent framework supporting the assessment of the 2014-2020 operational programmes. Thanks to the increased result orientation of the 2014-2020 programmes and to the strengthened requirements embedded in the legal framework, this assessment will be based on more reliable and robust evidence resulting from the programmes' data systems and will take into account the progress against the targets of the performance framework. As foreseen in the regulation Member States have to report each May on progress against indicators and financial implementation. The Commission will publish a synthesis report each year (see reply to question 8.a) of the first set of written questions).

Concerning answer to question 7.b)

5. Does the Commission have a statistics on average EU expenditure on one job created (or any other output - in line of performance check)? To be able measure effectivity of such expenditure and possible discrepancies between MS.

Commission's answer:

Currently, the Commission services do not have robust data available to link the programme expenditure to the jobs created. Most of the jobs are created through support to enterprises, where many of the operations have multiple objectives and generate several outputs. In those circumstances it is intrinsically challenging, even in an individual programme, to establish "average costs per job".

Error rate

(ECA AR 6.19) The high public procurement and state aid errors shows that the Commission did not effectively ensure its supervisory role at ex-ante stage.

6. The shared management is also a shared responsibility between the Commission and Member States. Therefore, what the Commission could have done ex-ante to ensure a low error rate in the field of public procurement and state aid?

Commission's answer:

Shared management includes indeed that Member States are responsible to apply the EU legislation for the day to day management of programmes. The Commission has a responsibility for exercising its supervisory role, and is willing and committed to provide all assistance to Member States to understand and apply correctly and consistently the applicable law. However the Commission cannot substitute Member States in their daily management.

The issue of implementation of public procurement and State aid rules is not specific to Cohesion policy as such. It concerns any public spending in Member States and is a cornerstone of the internal market. Under its supervisory role the Commission has been and is focusing on:

a) detecting and correcting weaknesses in management and control systems, in particular in relation to the capacity of such systems to prevent and correct errors, including the ones related to public procurement and State aid; in that regard a report has been communicated to the CONT Committee end November 2015 on specific Commission audits carried out since 2010 in the field of management verifications and in particular in relation to public procurement issues, for Regional and Urban policy;

and b) continuously providing guidance and targeted support to programme authorities. It has organised and will continue to organise seminars, workshops, presentations and training sessions. It is also taking targeted action on a bilateral basis, in order to assist Member States on specific issues when weaknesses in the area of public procurement or State aid has been identified for a programme authority or intermediate body. DG Regional and Urban Policy (and the ESI Funds DG's) have intensified their cooperation with the policy DG's in charge of public procurement (DG Internal Market, Industry, Entrepreneurship and SMEs) and State aid (DG Competition) for this purpose, through two specific action plans. As part of these plans, for the 2014-2020 programmes the Commission aims at a shift towards from a more corrective ex post approach (when errors have already happened) to a more proactive and preventive approach. For example State aid seminars and technical meetings were organised in those Member States which had declared that they did not fulfil the ex ante conditionality on State aid and a guide for contracting authorities was published in October 2015 in all EU languages on how to avoid the most common errors observed in public tendering procedures when managing EU funds. The action plan for public procurement has been published by the Commission in December 2015, at the joint request of Commissioners Cretu and Bienkowska to give visibility to the actions taken to help Member States in this area.

Under the 2014-2020 programming period, ex-ante conditionalities for public procurement and State aid - that are pre-conditions for funding - will ensure that the conditions necessary for the Funds' effective implementation are in place when implementation starts, especially the relevant policy, regulatory and institutional frameworks.

In addition, legislation has been revised in the areas of public procurement and State aid in 2014. Revised public procurement directives provide for simpler and more flexible procedures. Once translated into national rules this will benefit both public purchasers and businesses, particularly small and medium-sized companies, and will reduce the risk of errors. However this will not have immediate effect as the Member States have until April 2016 to transpose the new rules into their national law. As regards State aid, new and clearer Regulations have entered into force on 1 July 2014. They contain more flexible retroactive rules on the incentive effect and indirect aid. They will also reduce the risk of error in this area.

The most likely error rate in the area regional and cohesion policy stood at 6,1% in 2014. However, the error rate could have been considerably lower had Member States used all the information available to them. We receive the same message every year. The ECA and the Parliament have repeatedly requested that this problem be addressed. The commissioner stated in her replies, that "The Commission takes fully account of this in exercising its supervisory role and continuously takes action to identify and remedy problems, including by interrupting payments as soon as serious deficiencies are found".

7. Does that mean, that the EC, as a supervisory body, was aware of the fact presented by ECA or not? If not, that means that even the commission's checks are not working properly and in that subject I do not see any reaction of the EC to improve such situation. Providing more information is not going to change not using already published information (as well as with training or guidance).

Commission's answer:

The Commission has a role to supervise the systems, and it does: it continuously monitors, based on all audit results available from its own audits, other EU audits and the Member States' audit results, that management and control systems, and in particular key requirement 4 on management verifications, are effective. DG Regional and Urban Policy has communicated in that regard a comprehensive report to the CONT Committee end November 2015 on the results of its specific audits carried out since 2010 in the field of management verifications. As shown in this report, based on all available audit results at end November 2015 for 90% of ERDF/Cohesion Fund programmes management verifications are functioning well or subject to small improvements (with no financial impact). For the remaining 10% of operational programmes (32), management verifications are assessed as not functioning correctly and payments are either interrupted or suspended, while remedial actions are required from the concerned Member States. And improvements were noted for the 76 programmes subject to these risk-based audits since 2010 (the Honourable Member is referred to reply to question 9 of the first batch of written questions and to the report sent to the

CONT committee, ref. ARES(2015)5381345 of 26/11/2015).

The Commission agrees with the Court that in shared management, controls can only work effectively if national authorities make the necessary effort and use all available information.

This risk is not new and is known by the Commission. The root causes of errors done by the Member States lie among others in complex management structures in some Member States and high staff turnover in some authorities leading to a loss of expertise or insufficient staff allocation (explained by the budgetary situation). In some cases national or regional rules applied to Cohesion policy may also be more demanding and detailed than those foreseen in the national legislation for similar expenditure nationally funded, due to the pressure by European stakeholders to ensure legality and regularity of the EU taxpayer's money.

When the Commission identifies deficiencies in the management verifications it issues a reservation for the concerned programme and stops the payments, until management and control systems are fixed. Interruptions and suspensions are incentives for Member States to improve the systems in place and to timely take remedial actions, including financial corrections. The Commission services are using these legal tools consistently and as soon as serious deficiencies in management verifications are identified.

The implementation of targeted and specific measures such as remedial actions plans, interruptions and financial corrections has led to improvements in the systems of programmes put under reservation. EU payments are resumed only where there is sufficient and reliable evidence that weaknesses had been remedied.

The Commission carries out a continuous supervision of high risk programmes after the implementation of the remedial actions. This supervision is meant to ensure that the management and control systems of programmes do not deteriorate again, due for example to staff turnover and staff restrictions in public administrations.

On the preventive side, the Commission is providing the programme authorities with detailed guidance and targeted trainings for each of the implementation phases of the programmes (see also reply to question 6 above on the Commission action plans on public procurement and State aid). Commission checklists are shared with managing and audit authorities. Sharing good practices between programmes is promoted. The new Peer 2 Peer instrument available to managing authorities will further help on this.

8. Why does the situation not improve? Why is not use of Arachne an obligation while using EU funds?

Commission's answer:

Taking into account the number of programmes (322 for ERDF/Cohesion Fund), authorities and intermediate bodies involved, and the concrete results achieved through remedial action plans following payment interruptions and suspensions, it is difficult to come to a general conclusion that there is no improvement in the

quality of management verifications. The Commission undertakes continuous actions to help and stimulate Member States and programme authorities to step up their efforts for improving management and controls. The report on this issue provided to the CONT Committee (ref. ARES(2015)5381345 of 26/11/2015) shows the evolution of the situation for the 76 programmes audited since 2010 following implementation of targeted remedial actions, and the situation at end October 2015 for all 322 programmes.

There can be deficiencies in programmes' implementation at different moments of a programming period. The time of their occurrence can depend for example on misinterpretation of the rules (often at the beginning of a programming period) but also on legislative changes and related interpretations both on EU and national level once the programming period advances. Number and experience of staff in the national authorities has also a major impact on the timing and occurrence of deficiencies.

During the 2007-2013 programming period there were risks identified and action plans issued covering many of the programmes and of the Member States. Information about the programmes and Member States concerned by reservations - and the deficiencies identified - is available in each year's Annual Activity Report of the Directorates General. The programmes and Member States often differ from year to year (on the recurrence of reservations for some programmes / Member States, the Honourable Member is referred to reply to question 19 of the first batch of written questions).

On the use of Arachne

Arachne is an integrated IT tool for data mining and data enrichment developed by the European Commission for some years, and provided for free to Member States' authorities since October 2013. It aims at supporting managing authorities and intermediate bodies in the operation selection process, and for their management checks on European Regional Development Fund, Cohesion Fund and European Social Fund projects.

It is also considered by the European Commission as a good tool for reporting red flags on fraud risks and therefore a useful tool to use as part of anti-fraud measures. National authorities are strongly encouraged to use it, or alternative data mining tools that they may have available at national level. According to Article 125.4c) of the 2014-2020 Common Provisions Regulation each Member State has to set-up "effective and proportionate anti-fraud measures, taking into account the risks identified". Such measures may include the use of Arachne, but it is not a compulsory tool, and Member States may use if necessary any other equivalent tool to put in place "effective and proportionate anti-fraud measures".

9.

- a. The Commission has launched a public procurement action plan. Are European rules too complex while, at the same time, leaving too much room for interpretation for Member States to implement the legal provisions correctly?

Commission's answer:

The purpose of the Public Procurement Action Plan is to deliver concrete actions to assist Member States improve the performance of practitioners in applying public procurement for ESI Fund investments during 2014-2020. A certain level of complexity is inherent to any public procurement system seeking to minimise arbitrary behaviour by contracting authorities (thereby upholding the principles of equal treatment, non-discrimination and transparency) whilst equipping contracting authorities with the tools to ensure best value for money – an objective that may require the use of rather sophisticated methodologies (e.g. best quality-price ratio – BQPR, life-cycle costing etc.). The purpose of the action plan is first of all to support all those bodies involved in the management of the funds and beneficiaries of the funds in their correct understanding of the rules to follow under public procurement, but also of the opportunities offered by the new directives. A good example of this approach is the guide on how to avoid the most common errors in public procurement when managing the funds, available in all EU languages on the website from DG Regional and Urban Policy, Inforegio http://ec.europa.eu/regional_policy/en/information/publications/guidelines/2015/public-procurement-guidance-for-practitioners

As indicated in the reply to question 6, legislation has been revised in the area of public procurement in 2014. Public procurement procedures will be simpler and more flexible once transposed in national legislation, with simplified and shorten procedures. This will benefit both public purchasers and businesses, particularly small and medium-sized companies, and will reduce the risk of errors.

- b. Wouldn't it be easier to change EU Directives to Regulations - to have one simple set of rules for everyone using EU funding?

Commission's answer:

Secondary law governing EU public procurement rules finds its legal basis on the one hand on Article 114 of the Treaty on the Functioning of the European Union - TFUE regarding the approximation of laws and, on the other hand, on Articles 53(1) and 62 TFEU governing respectively the right of establishment and the right to provide services. Articles 53(1) and 62 provide for the sole possibility to issue 'directives'. Proceeding by way of directives in the field of public procurement is therefore a Treaty obligation that cannot be departed from.

Directives allow Member States to transpose the EU requirements – for example the new approaches for public procurement - into national legislation, reflecting the different national contexts, also in line with the subsidiarity principle.

10. 12 Member States need help to fulfil the new ex-ante conditionalities, thereby delaying the launch of the new programmes? Will this endanger the implementation of the new programming period?

Commission's answer:

No: non-fulfilment of ex-ante conditionalities does not prevent the adoption the partnership agreements and operational programmes.

Ex-ante conditionalities are preconditions for funding. Such preconditions are essential to ensure the right framework for optimising the use of resources and the effective implementation of the 2014-2020 programmes. They were introduced to address deficiencies in Member States linked to lack of strategic planning in key investment areas; unsound regulatory framework and insufficient administrative capacity of the national and regional authorities.

A timely fulfilment of all the applicable ex ante conditionalities remains a top priority for the Commission. The Commission works together with the concerned Member States in order to ensure compliance by the end of 2016 through guidance, monitoring and support. Failure to complete actions to fulfil ex ante conditionalities by end 2016 constitutes a ground for suspending interim payments to the affected priorities of the programmes concerned. Ex ante conditionalities make therefore a strong incentive for Member States to ensure that framework conditions for effective investments are in place. In other words, the Commission will monitor and support Member States where possible during the implementation of their action plans, but will also not shy away from using the tool of suspensions/interruptions if by the end of 2016 the action plans have not been fully implemented.

Non-fulfilment of ex ante conditionality does not block implementation of the relevant priority axis, because the projects can be still selected and implemented, while the relevant Member States' authorities are completing the agreed action plans to fulfil the unfulfilled ex ante conditionalities by the end of 2016. When adopting a programme, the Commission could suspend all or part of interim payments linked to the investment priorities, where the non-fulfilment of the relevant ex ante conditionalities could result in significant prejudice to the effectiveness and efficiency of the ESI Funds' support. Following a careful examination of potential cases of significant prejudice and thanks to a close cooperation with the relevant Member States in developing the proper action plans, the Commission didn't have to make use of that prerogative, i.e. no suspensions were necessary at the programmes' adoption.

In any case, if a Member State fails to complete the action plan by the end of 2016 date, the Commission may take decision to suspend the interim payments for the affected parts of the programme. Suspending the interim payments doesn't block the implementation of the priority axes concerned, because the projects can be still selected and implemented, but the Commission will not reimburse the relevant expenditures. As soon as the action plan is finally completed, the suspension will be lifted.

As regards the public procurement ex-ante conditionality, 12 Member States (Bulgaria, Czech republic, Greece, Hungary, Croatia, Italy, Latvia, Malta, Poland, Romania, Slovenia, and Slovakia) were non-compliant with it at the time of the adoption of their Partnership Agreements and Operational Programmes. They have prepared and are implementing action plans on how to redress structural weaknesses. Three Member States have fully implemented their action plan since then, and thus the ex-ante conditionality is now fulfilled (Malta, Poland and Latvia).

Concerning answer to question 10 (*"It should also be noted that the Commission always initiates corrections when errors are identified."*)

11. When the procedure commonly starts? Is there a statistics on "errors identified solely by EC" and "errors identified by ECA and others beside EC"

Commission's answer:

The Commission starts the procedure to correct irregular expenditure as soon as errors are established by an audit, following contradictory procedures in line with international standards. The process may concern individual irregularities or system deficiencies bearing a risk for the legality and regularity of expenditure already declared to the Commission.

For individual irregularities identified by the Member States, Member States have a general obligation to prevent, correct and detect irregularities. The fulfilment of this requirement is made through system audits by national and Commission auditors.

For individual irregularities detected by the Commission or other EU audits and controls (ECA, OLAF), the Member States are given time to provide all arguments in a contradictory procedure. Once the individual irregularity is established (confirmed), the Member State has the obligation to correct the corresponding amounts. The Commission monitors this and launches financial correction procedures under Article 99-100 of regulation 1083/2006 if the Member State fails to do the correction in the timeframe set by the Commission (usually two months).

When national or the Commission audits identify evidence to suggest serious deficiencies or serious deficiencies in the functioning of the systems for (part of) a programme, the Commission immediately launches an interruption and/or pre-suspension of payments (articles 91 and/or 92 of regulation 1083/2006). This blocks Commission payments to the concerned (part of the) programme. This preventive measure is accompanied by a remedial action plan for the concerned programme. Each action plan includes two components:

- Correction of errors in the past expenditure (either through a flat rate or through a correction of all single errors following exhaustive or sample based verifications), and
- Improvement of the management and control system so that errors are identified and corrected before expenditure is declared to the Commission in the future.

If the Commission considers, after having given time to the Member State to implement the necessary corrections, that the Member State failed to take action, it has the possibility to launch a financial correction procedure under Article 99-100 of regulation 1083/2006.

DG Regional and Urban policy provides detailed information on the number of procedures of interruptions and suspensions and financial corrections that resulted in the annual activity report (see pages 53 to 57 for 2014 and annex 8).

There is information available about the level of errors identified:

- as a result of the work of the programme audit authorities reviewed and

validated by the Commission following its thorough assessment in Annex 7B of the DG REGIO Annual Activity Reports.

The Commission carries out system audits and not audits on statistical samples of operations, which would not be cost/efficient. This is done by programme authorities in accordance with their obligations under the regulation);

- Information resulting from the work of the Court of Auditors presented in its Annual Report.

The Annual Report of the Court for 2014 provides elements of information on the comparison of the Court's error rate and the one established by the Commission, based on the audit authorities' reported error rate (see paragraph 6.70 of the Court's Annual report and the Commission reply).

Management and control systems (MCS)

(ECA AR 6.18) Commission replied that the average decrease in error rate compared with 2000-2006 period represents an improvement of the management and control system.

12. How the Commission assess the efficiency/effectiveness and impact of the 2007-2013 period? How Commissioner could explain that the impact of Cohesion and Structural Funds in Greece is limited while Greece has almost 100% absorption and the weakest country in absorption Romania has a small unemployment rate and the highest economic growth in the EU. Could that be explained that Cohesion and Structural Funds have a limited contribution to the real economy and a low efficiency and effectiveness?

Commission's answer:

The Honourable Member refers to different issues linked to compliance with legality and regularity, absorption and performance of programmes. While for the two first aspects data are known and reported in the 2014 annual activity report, conclusions on the effectiveness of the policy are not yet fully known. The Ex-post evaluation for 2007-2013 is underway and the 2007-2013 Evaluation synthesis report in Spring 2016 will draw together the evidence of the implementation of the policy in each Member State. Finally, the final implementation reports of Member States concerning the programming period in question, which are due in March 2017, will also provide evidence of the efficiency/effectiveness for each 2007-2013 programme.

In the meantime, The Sixth Report on Cohesion published last year has summarized the range of evidence from both evaluations and modelling, measuring how cohesion policy funds makes a significant contribution to economic development in the main beneficiary countries. The Sixth Report on Cohesion is available via the following hyperlink: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion6/6cr_en.pdf

For the management and control systems of 182 (out of the 322) operational programmes DG REGIO gave only a qualified opinion, of

which 40 MCS received a qualified opinion with significant impact and 7 MCS received an adverse opinion.

13. What were the deficiencies discovered?

Commission's answer:

As mentioned in the reply to question 15 in the first round of questions, DG REGIO considers that the programmes with significant deficiencies are 47 (page 53 of the 2014 AAR). The remaining programmes covered by the question do not feature significant deficiencies with impact on payments and error rate. For these 47 programmes the deficiencies discovered are reported in the annual activity report annex 7A.

In the 2007-2013 period, the main deficiencies detected are in management verifications, in particular in relation to the verification of public procurement procedures, selection of operations and compliance with State aid rules.

Measures taken by the Commission to address root causes of errors for ERDF / Cohesion Fund programmes are referred to in pages 98 and 99 of DG REGIO AAR for 2014 (targeted measures in four areas: administrative capacity, public procurement, State aid and audit capacity).

Some Member States have followed the Commission's recommendations and provided a voluntary overall analysis at Member State level (19) and/or a voluntary declaration on the overall level of assurance (14) in their annual summaries? Only in eight cases the Commission was of the opinion that they provided added value.

14. What was the added-value? What does the Commission expect from the Management declarations in future?

Commission's answer:

In the case of 2007-2013 annual summaries, the Commission considered that they provided added value when the Member State gave an overall analysis and at the same time disclosed additional information compared to the one already provided in the Annual Control Reports submitted 45 days earlier.

The regulatory framework 2014-2020 increases the accountability of the Member State Annual summaries as foreseen in the 2007-2013 period are not required any longer. Instead, the managing authority shall issue a management declaration by operational programme declaring that the information in the accounts is properly presented, complete and accurate, that the expenditure entered in the accounts was used for its intended purpose and that the management and control system in place gives necessary guarantee on the legality and regularity of the expenditure. The management declaration will be supported by an annual summary of all management verifications carried out by or under the supervision of the managing authority, and indicating the follow-up given to all verifications and audit results by the audit authority.

By signing off the management declaration, the head of the managing authority will take full responsibility on the proper management of the funds and will need

to ensure that his/her declaration is based on enough administrative and on-the-spot verifications and that all audits and control have been taken into account.

Regulatory certainty is very important for beneficiaries of EU funds. Frequently changing rules happen to be among the most detrimental practices to beneficiaries.

It is crucially important for every beneficiary to receive guarantee that once audited their projects will not be subjected to second checks and changing rules.

15. In this regard, are there cases when the European Commission conducts secondary audits of already audited projects, under new rules or with different auditing teams, applying financial corrections?

Commission's answer:

The European Commission does carry out audits on management and control systems. In this framework it does audit operations on the spot, but a limited number compared to programme audit authorities which have to audit each year representative samples of operations (some 8.500 in 2014). When reviewing the work of audit authorities, and in line with international auditing standards, the Commission has to re-perform the work of the audit authority on individual operations already audited, to verify whether it would reach the same results for the purpose of relying on the audit authority's work (single auditing principle, see ECA Special Report 16/2013). In some limited cases under 2007-2013, this may have led to the Commission reaching different conclusions than audit authorities and imposing additional financial corrections. When carrying out its own system audits (independently from the review of the work of audit authorities), the Commission tests expenditure at the level of operations on the spot as well. It usually endeavours to avoid repeating audits at the level of the same operations already audited by national audits, to avoid an excessive audit burden on beneficiaries. But it can be that large operations carried out through many years may be hit a second time for a Commission audit.

Commission audits are carried out in accordance with a methodology agreed between ESI Funds. Audits are carried out on the basis of the legislation as it stands at the time of the audit. In general, Regulations or Directives informs if their updates can be applied retrospectively or not. For example, the new General Block Exemption Regulation (Regulation (EU) No 651/2014) allows for a retrospective application of a more flexible rule. On the other hand, the new public procurement Directives (2014/24 and 2014/25) do not mention this element and cannot be applied retrospectively.

Additionally, there are European guidelines interpreting existing Directives or Regulations. As they interpret already existing legal acts they can be applied to events that happened before the date of their entering into force. For example, the "*Commission Decision C (2013) 9527/ 19.12.2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement*" specifies that updated rules and financial correction rates do not apply retrospectively. Irregularities that

happened before 19/12/2013 but identified after the aforementioned date will be treated in accordance with the new guidelines.

Apart from possible updates in Regulations and Directives, auditors have to update their audit methodology in line with any updates of the secondary legislation (for example, case law of the European Court of Justice clarifying the interpretation of some legal provisions, one of the reasons for adopting the aforementioned Commission Decision *C (2013) 9527*). The results of the audits and of other audit bodies are also taken into account when preparing the audits.

However, the Commission underlines that rules are the same for all audits and are applied consistently by Commission auditors according to the same methodology. With regard to public procurement it should further be noted that often national legislation is changed with different versions not fully in line with the EU Directives. The elements of non-compliance of the different versions of national legislation might indeed lead over time to different audit findings.

In the 2014-2020 programming period, Article 148 of Regulation (EU) 1303/2013 requests proportional controls on projects therefore reducing the number of audits (only once in their life time for projects with a total value below EUR 200 000 for ERDF and Cohesion Fund and EUR 150 000 for ESF). Projects exceeding these values cannot be audited more than once per year

However, as part of the single audit principle and in line with Article 148(4), the Commission may, as an exception to the general rule, re-audit projects already audited by the audit authority for the purpose of assessing the work of the audit authority.

16. Are there cases when changing regulations lead to application of financial corrections retroactively?

Commission's answer:

Not to the knowledge of the Commission services. The Honourable Member is also referred to the reply to question 15.

It is of utmost importance that EU control and monitoring mechanisms do not lead to burden for beneficiaries such as municipalities. In some cases the amount of financial corrections may go well beyond their own annual budgets.

Programming period 2014-2020

Streamlining/simplification: The Commission has launched a series of studies to understand better the take up of the new provisions by the Member States and their concrete impact.

17. What studies and for when can they be expected?

Commission's answer:

In 2014, a first series of four studies was launched to assess the integration of elements of the reformed cohesion policy in the programming exercise for the

2014-2020 period.

The topics for the four studies are the following: Ex ante conditionalities, Partnership principle, Performance framework and "new provisions" (covering a range of new programming elements, such as assessment of administrative burden for beneficiaries and planned actions for reduction, horizontal principles, territorial approaches etc.). The draft final reports for these studies are currently being drafted. Final reports are expected for the first quarter of 2016.

In addition, DG REGIO also launched in 2014 a study to establish a database collecting information on projects funded in the 2007-2013 period. This will allow for an assessment of the impacts and effects of certain thresholds and limits in the CPR and their effects in terms of administrative burden and proportionality. Also for this study the final report is expected for the first quarter of 2016.

In July 2015, DG REGIO –together with the ESI DGs- launched a study to map how simplification options have been taken up by programmes during the early implementation phase and to assess the impact of changes in the overall delivery mechanism on the administrative burden for beneficiaries and administrative costs for programme authorities. In addition, the study will quantify these burdens and costs in monetary terms and also look at administrative burden and costs resulting from rules at national or regional level which go beyond what is strictly required by Union legislation ("gold-plating). Preliminary results of this study will be available in spring 2016. The final results should be available in early autumn 2016.

Work on four more studies will start in early 2016 with a view to building the evidence base and develop options for the impact assessment for the post-2020 period. These look at financial instruments, linkages with country-specific recommendations, coordination and complementarity among EU instruments, alternative delivery mechanisms and budget support. These will deliver first results towards the end of 2016.

Ex-ante conditionalities

18. Is the Commission worried about the high number of Member States (Bulgaria, Czech Republic, Greece, Hungary, Croatia, Italy, Latvia, Malta, Poland, Romania, Slovenia, and Slovakia) not fulfilling the ex-ante conditionalities?

Commission's answer:

Overall, the applicable ex-ante conditionalities have been fulfilled in a majority of programmes and Member States. Around two thirds of the thematic conditionalities at programme level and three quarters of the general conditionalities at Member State level were considered as fulfilled at the time of the programmes adoption. For those Member States which did not fulfil the ex-ante conditionalities, action plans had to be drawn up with clear actions and deadlines to lead to their fulfilment. It resulted in about 740 distinct action plans (monitored by DG Regional and Urban policy).

The countries having the highest number of distinct action plans to fulfil ex ante conditionalities are Italy, Poland, France and Greece. This is partly linked to the

decentralised responsibilities for fulfilment of a number of ex ante conditionalities in these countries.

A timely fulfilment of all the applicable ex ante conditionalities remains a crucial priority. The Commission is closely following the progress made in delivering the action plans agreed with the Member States. Even though action plans have to be completed by the end of 2016, the Commission services have already noted some progress: about 80 actions plans have been already implemented.

The Honourable member is also referred to the reply to question 10.

New single audit strategy for the financial period 2014-2020

19. The new single audit strategy will depend very much on an assurance building process, relying on the sound work of national audit authorities. Is this a safe assumption?

Commission's answer:

There is a single audit strategy for DG REGIO, DG EMPL and DG MARE aiming at the efficient use of audit resources. This endeavour is linked to an even closer alignment of the ESI Funds in the 2014-2020 period and to the increased requirements for additional audit assurance, for example in the case of performance data. It means that the three DGs will join audit resources in order to meet these expectations.

The single audit principle means reliance on the work of other auditors as foreseen in the Common Provisions Regulation and as promoted by the Court of Auditors already in 2004 in its Opinion on single auditing. The use of this principle is also related to the requirement for proportional controls under Article 148 of the Regulation (EU) 1303/2013. The Commission can rely on the work of other auditors once it has assured itself that these auditors work in appropriate way based on the same audit methodology as the Commission. For this reason, the main block of the Commission's audit activity since 2009 is to review the reliability of the audit authorities. This will be strengthened in 2014-2020 programmes as presented in the single audit strategy. Using this approach, the Commission can use a much wider audit work for its assurance, covering one third of the expenditure and thousands of project audits every year.

National audit authorities indeed play a crucial role in the assurance building system for the ESI funds. As can be seen from the Annual Activity Reports issued in recent years, the reliance that can be placed on the national Audit Authorities is generally high and has increased over years, based on audit capacity actions between the Commission and these audit authorities. This does not imply, however, that the Commission will not closely monitor the audit activities carried out by the Audit Authorities. The audit work referred to here will mainly consist of re-performance of the Audit Authorities' activities in order to confirm, regularly, the reliance that can be obtained from it. To support the national audit authorities, the Commission has been sharing methodology and audit techniques such as checklists etc. with them throughout the programming period 2007-2013 and has also provided guidance for the 2014-2020 period. For 2014-2020 programmes, most audit authorities will remain the same as for 2007-2013, thus benefitting from the experience accumulated under the previous period.

Concerning answer to question 23 (*"The slow start of programmes, the insufficient preparation of complex infrastructure projects, the long project cycle, lengthy national administrative procedures (permitting, appeal procedures, administrative procedures linked to management of funds and implementation in general), insufficient administrative capacity (both at the level of beneficiaries and in programme management level), lack of experience and consequent errors in public procurement procedures are all influential factors when it comes to explaining why implementation in these countries is lagging behind"*)

20. Couldn't be such problems identified sooner, or better expressed, predicted? Shouldn't be preparation for new programming period ready before its start based on the nature of programming period (*if not, than the logic would be programming period 2016-2020 starting in 2014 with 2 years for preparations*) Isn't starting in November 2014 too late?

Commission's answer:

The fact that an internal Task Force for Better Implementation (TFBI) has been set up by DG Regional and Urban Policy in November 2014 doesn't mean that the influential factors of the low implementation in some Member States were identified in November 2014 only. For all Member States covered by the TFBI the issues mentioned were subject to analysis and close follow-up throughout the entire programming period. For a number of them indeed, action plans to reduce the risk of decommitment and loss of funds at closure had already been put in place together with close reporting and monitoring arrangements (RO, IT, SK, HU and CZ to some extent would be the obvious examples) well ahead of the setting-up of the task force. Relevant Commission services have all been aware of the issues and engaged in close and regular discussions with the national authorities, while pushing for accelerated implementation.

Nevertheless, the TFBI was set up by Commissioner Cre u immediately after entering into office. It undertook a critical action: the systematic review of all flexibilities the Commission can provide in a coordinated way to Member States through implementing mitigating actions. The suggested actions needed to be communicated to the Members States at a sufficiently high political level, stressing the need for national solutions and full political backing. At the very least, such an approach is certainly preparing the ground for a good start of the 2014-2020 period.

Concerning answer to question 40 - Regulation 1303/2013 together with 1301/2013

21. Regulation 1301/2013 concerns only ERDF - ESF and CF is not part of that scheme and therefore is almost impossible to provide synergetic projects based on combination of EU funds. Will the EC improve that situation?

Commission's answer:

Concerning the legal provisions on synergies between funds, the Honourable member is referred to Regulation 1303/2013 laying down common provisions for

the five ESI Funds (ERDF, ESF, CF, EARDF, EMFF). In this so-called common provisions regulation is embedded a Common Strategic Framework (Annex I) which provides the basis for better coordination between the ESI Funds and also other EU instruments.

In particular, chapter 3 of the Common Strategic Framework provides for effective coordination and complementary between Member States in the preparation, implementation, monitoring and evaluation of Partnership Agreements and operational programmes including, where appropriate, the use of multi-fund programmes.

Regulation 1301/2013 lays down the specific provisions concerning the type of activities which can be supported by the ERDF in order to contribute to the investment priorities within the thematic objectives set out in Regulation 1303/2013. A fund-specific regulation has been adopted for each of the five ESI Funds, in complement to the common provisions regulation.

Therefore, the fact that the tasks and scope of support of the ERDF should be set out in a specific regulation, under the umbrella of the common provisions regulation for the five ESI funds, does not prevent from synergies for projects that may be financed by a combination of EU funds. A total of 92 multi-fund programmes, including ERDF/CF and ESF were adopted by the Commission.

Programming period 2007-2013

Commission replied at the point 6.11 in the ECA report that by establishing eligibility rules at national level was one of the main elements of simplification introduced in 2007-2013 period.

22. Could Commissioner explain for whom this simplification has been beneficial as the applicants and beneficiaries of projects complains about the complexity of rules?

Commission's answer:

Only specific exceptions to the general rule of allowing Member States to establish eligibility rules at national level rather than at EU level were defined in 2007-2013 Fund specific regulations (e.g. expenditure which shall not be eligible under ERDF in Article 7 of Regulation n°1080/2006 or specific rules for European Territorial Cooperation programmes under Article 13 of the same regulation or expenditure which shall not be eligible under ESF in Article 11 of Regulation n°1081/2006 or expenditure which shall not be eligible under CF in Article 3 of Regulation n°1084/2006).

This approach had 2 advantages :

- 1) Political advantage : adhere in practice to the shared management principle and to the subsidiarity principle, leaving the implementation details closer to the ground
- 2) Practical advantage : Since Member States are allowed to define eligibility rules for EU Funds closer to eligibility rules for national Funds, the applicants and beneficiaries of EU funded projects should, in an ideal case, not see much of a difference.

Experience has shown that setting up eligibility rules at national level has not fully reached the target of simplification since:

- "gold-plating" in some Member States occurred: Member States have in many cases added additional eligibility requirements which were not needed by EU regulations or by national Funds (for example extending the period over which the durability of a project is monitored or excluding certain types of costs from the list of eligible expenditure).

- Other requirements not linked to eligibility rules (e.g. duration of retention of paper documents) remained cumbersome for beneficiaries or Member States didn't use fully some opportunities of simplification proposed by 2007-2013 regulation (simplified cost option).

2014-2020 regulation has gone further in terms of simplification (extended approach on simplified cost option, including introducing rates to be used directly in the regulation, reduced retention period for supporting documents, introduction of e-cohesion to name a few). But these additional simplification measures will have an impact on applicants and beneficiaries when they will start to request or use 2014-2020 funds. Currently, the major part of spending on the ground remains implemented under 2007-2013 legal framework.

The Commission has set up the High Level group on simplification for beneficiaries to assist in identifying the obstacles and barriers to simplification and to find a way to address them.

23. Can the Commission share some of the first findings with CONT?

Commission's answer:

The High Level Group on Simplification for beneficiaries of ESI Funds has met twice since October 2015. Many of the issues that were identified in discussions in the Parliament on simplification such as proportionality, audit practices, simplified costs, financial instruments and gold plating by Member States, are concerns that have already surfaced in the group's discussions and the group is expected to tackle them during their deliberations.

They have been asked to make recommendations for concrete actions that can maximise the potential for simplification in the current period (2014-2020) and are expected to present their first conclusions and recommendations on e-Governance and simplified costs in February 2016.

Low absorption rates for a few countries (HR, RO, SK) are worrying and still behind the Commission targets set for 2014. The Court also refers to 4 Member States having outstanding commitments representing 15% and more of their general government expenditure in 2014 (RO, BG, SK, CZ). Commission mentioned that it has created in 2014 a Task Force for better implementation. However, from the Commission replies it is not clear if this task force has the role of increasing the absorption of EU funds at any costs.

24. How does the Commission ensure that efficiency, effectiveness and added value of projects is taken into account by that task force?

Commission's answer:

The role of the internal Task Force for Better Implementation is not increasing absorption at any costs. This internal task force was set up to assess the situation and provide targeted help to Member States. After a detailed situation analysis it has drawn up or completed existing action plans for each Member State concerned. It also ensures an exchange of experience and good practice among the participants. For most countries covered the contracting rate was already at sufficient level but implementation was lagging behind. The changed approach in phasing or dealing with delays in implementation does not have an influence on the added value of the operations which are already selected anyway.

The action plans agreed with Member States intend to use all possibilities offered by the 2007-2013 legal framework to increase implementation up to the end deadline for eligibility, i.e. end of December 2015. But there are no compromises as regards compliance with the rules in force. The Commission will not relax on the current rules: principles related to the effectiveness and efficiency of the EU intervention detailed in the 2007-2013 legal framework remain fully applicable. Quality will prevail on quantity.

25. How high is the risk of de-commitment of funds?

Commission's answer:

Based on preliminary figures, from among the eight countries covered through the

Task Force for Better Implementation neither Croatia nor Slovakia is going to lose resources at the end of 2015 – the risk at the end of 2015 for these countries has been eliminated. While Romania a year ago was expected to lose around EUR 1 billion, only a marginal amount of around EUR 70 million is expected to be lost by this Member State for ERDF/CF at the end of 2015.

The exact figures will depend on further detailed calculations to take place in December.

As regards amounts likely to be lost at closure, it is too early to estimate these amounts – interim payments will continue throughout 2016 and implementation adjustments continue to be undertaken in the upcoming months and till autumn 2016 depending on the country.

26. Can the Commission report on the work of the Task Force for Better Implementation with regard to the targeted Member State?

Commission's answer:

The Task Force for Better Implementation's work brought the results it was expected to deliver: the action plans were agreed rapidly and followed up systematically with a high level of cooperation on the Member State side. The estimates in terms of risk of losing funds at closure have been reduced overall. For example, SK, HU, CZ, IT report now significantly lower amounts at risk of not being implemented at closure than before commencing the work of the Task Force.

The average level of payments at end October 2015 increased considerably compared to when the Task Force was created. This is confirmed for most of the Member States concerned (RO, BG, SK, CZ, HU), even though progress is unequal (for example less for IT). As a result improved implementation reduced considerably (RO) or annulled (SK, HR) the risk of automatic decommitment at the end of 2015.

The Commission will be able to fully appreciate the impact the Task Force had on the optimum use of the 2007-2013 allocations around mid-2016 and ultimately at closure.

Irrespective of this promising result finally being achieved, there is a clear positive feedback from Member States. Apart from the modifications in terms of flexibility interpreting the regulations, the favourable impact also translated into high political visibility and pressure at national level that the Task Force triggered in a number of countries, including in particular HU, SK, SI, HR and CZ. This effect was not the least due to the high number of technical and political level meetings – well above 120 for the eight countries – undertaken in a relatively short period of time along with seminars held on particular subjects (eg phasing, closure, major projects, errors in public procurement) contributing to improving administrative capacities. The additional workload taken on by the relevant services in DG Regional and Urban Policy in this regard, has been impressive, in particular in terms of increased reporting, monitoring and even more frequent (including high level) contacts with Member States.

While formally the Task Force finishes its work at the end of 2015, for a number

of countries close follow-up will be needed to ensure a smooth closure process and in particular to provide assistance in relation to phasing.

In his annual activity report the director general notes (page 5): "Persistent difficulties are still noted, however, in relation to environment infrastructure, partly due to issues of administrative capacity in some Member States."

27. Have the problems in Bulgaria Romania, Slovenia and Spain been solved?

Commission's answer:

The cited paragraph of the Annual Activity Report 2014 further informs that the *"difficulties have been taken into account during the negotiations of 2014-2020 programmes. The implementation of ex-ante conditionalities' action plans directly impacting on the deficiencies identified should help remove those obstacles for the new generation of programmes..."*

For all above mentioned countries the Commission has on-going action plans related to environmental infrastructure. DG REGIO is monitoring the implementation of these action plans and working with the Member States to achieve compliance with the ex-ante conditionalities by end 2016 as stipulated in Article 19(2) of the Regulation (EU) 1303/2013.

Action plans in the following areas are being implemented by the Member States mentioned:

- water and waste infrastructure – Bulgaria
- water and waste infrastructure, as well as environmental legislation linked to EIA/SEA - Romania
- water infrastructure and environmental legislation linked to EIA/SEA - Slovenia
- water and waste infrastructure - Spain.

As regards broadband networks, progress has been achieved in broadband coverage (access under 30 Mbps for most of all of its citizens and firms) and take-up throughout Europe, which contributes significantly to economic cohesion. However, there remains many "white areas" where no telecom operators are willing to invest.

28. Where are the "white areas"?

Commission's answer:

According to the State Aid Guidelines for Broadband deployment of the Commission (see <https://ec.europa.eu/digital-agenda/news/eu-regulation-state-aid>), "white areas" are those areas in which there is no broadband infrastructure of the same kind (basic or high-speed network) and where private operators have not declared any concrete plan to roll out such networks in the near future (3 years).

Concerning the supply with Next-Generation Networks (minimum 30 Mbps download), Member States and their competent National Regulatory Authorities are primarily responsible for updating maps of white areas on their territories. An

overview can be found in the recently published study on broadband coverage prepared for the European Commission (see <http://ec.europa.eu/digital-agenda/en/news/study-broadband-coverage-europe-2014>).

Financial engineering instruments (FEI)

Financial engineering instruments:

29. What are the preconditions in Member States to make effective use of FEI in the social policy area?

Commission's answer:

The Honourable member is referred to the reply provided to the same question included in the additional questionnaire sent to Commissioner Thyssen (question 25), to which DG REGIO contributed.

30. How will the Commission address the "accountability gap" in the area of FEIs?

Commission's answer:

The Honourable member is referred to the reply provided to the same question included in the additional questionnaire sent to Commissioner Thyssen (question 26), to which DG REGIO contributed.

Particular problems were noted for financial instruments in five Member States: (Bulgaria, Greece, Romania, Slovakia and Spain) where the disbursement rates are significantly below the EU average for 2013

31. The same Member States which have problems implementing the ERDF and the CF seem also to have problems using the FEI. Does that worry the Commission?

Commission's answer:

The Honourable member is referred to the reply provided to the question 46 included in the first questionnaire sent to Commissioner Thyssen, to which DG REGIO contributed.

Indeed these countries reported relatively low disbursements to final recipients from their financial engineering instruments.

However, the level of implementation of instruments is to be analysed in relation to the timing of the set-up of such instruments. For example, in Bulgaria and Romania, it should be noted that the agreements with financial intermediaries were signed late (even only in 2014). Thus, an absorption rate lower than the average was to be expected.

Nevertheless, the absorption has increased during 2014 and the overall rate of implementation has reached 57% on average at the end of 2014 (47% at the end of 2013). Significant progress has been achieved in particular in Bulgaria where the reported rate of implementation is 59% (22% end of 2013) and in Romania where the reported rate of implementation is 78% (24% end of 2013). Greece, Slovakia

and Spain also reported an increase in their level of implementation, achieving 44% in Greece, 21% in Slovakia and 22% in Spain. In the light of the progress reported at the end of 2014, further progress is expected at the end of 2015 even though continued efforts are needed to speed up implementation.

DG Regional and Urban Policy has set up an internal Task Force for implementation for 8 eight Member States, including the ones mentioned above, having a significantly low rate of financial implementation. The internal Task Force ensures an exchange of experience and good practice among the countries concerned, so that the actions being undertaken in the various countries to foster implementation, including for financial instruments, are shared across the countries.

The Commission and the Member States have also undertaken a number of measures to ensure that the remaining investments will reach final recipients on time, including for the five quoted Member States:

- Improving monitoring of performance by managing authorities and encouraging reallocation of amounts from low performing funds to well performing funds;
- Encouraging changes to the instruments and financial products in order to adapt them to changing market conditions;
- For long-term investments in urban development or energy efficiency where payments are made gradually with the progress of the projects, a request for reporting of the investment pipeline.

There is a visible difference between the volume of financial sources put into the FEI and the amount redistributed to final recipients. It means that some substantial amounts were only "parked" into FEIs to avoid the risk of de-commitment.

32. How to eliminate this negative feature of FEI utilisation?

Commission's answer:

Lessons learnt from the 2007-2013 programming period have been integrated in the regulatory framework of the 2014-2020 programming period. Within this reformed framework, the use of financial instruments is made more flexible and targeted, in particular to avoid money being parked in such instruments with limited disbursement to final recipients. In particular:

- An obligatory ex-ante assessment for each instrument will assess in detail the investment need justified by a market failure and the feasibility of financial instruments. The instrument endowment should be proportionate to market needs.
- Payments into financial instruments will be made in tranches related to the performance of such instruments, in particular, the disbursements to final recipients. Thus it should avoid the problem of "parking programme resources" in financial instruments in the 2014-2020 period.
- management costs and fees must be performance oriented. This will give a strong motivation to fund managers to rapidly deliver support to final recipients.
- Reporting on annual basis will be much more comprehensive and will provide information not only about the use of resources but also the impact of financial instruments. This will enhance the overall process of monitoring of financial instruments, at Commission level and also between managing authority and

bodies implementing financial instruments.

Strong boom in FEIs utilisation will necessarily lead to a completely new approach adopted by public administration authorities and audit and control bodies. What are to be the requirements for a "new culture" in FEIs environment?

FEIs could substantially contribute to efficiency, effectiveness and economy of EU funds utilisation as they are naturally focused to reach a result, or to provide a performance.

33. Do you see some interconnections between FEIs and the performance-based approach for the EU budget expenditure policy?

Commission's answer:

The Commission envisioned the need for a change towards a performance-based culture and the new 2014-2020 legislative framework of ESI Funds reflects this change both for grants and financial instruments.

The obligatory ex-ante assessment for each financial instrument to identify market failure and justify ESIF intervention, the phased payments from programmes to FIs based on actual investment performance in the ground, the incentive-based methodology for management costs & fees and the more comprehensive and clearer reporting are concrete tools designed to contribute to a performance-based spending of EU resources.

34. What is the Commission's assessment of the EIB contribution to the implementation of the EU cohesion policy goals and to projects for developing less-developed regions in the context of the article 309 of TFEU and the Memorandum of understanding between the EIB and the Commission regarding ESIF?

Commission's answer:

The EIB contributes to the implementation of the financial instruments by sharing its experience as fund manager or by providing advisory services and by investing its own resources in some financial instruments, like the SME Initiative.

Promoting economic and social cohesion is one of the priorities that guide the EIB throughout its activities. European Investment Bank loan operations are directed towards the political priorities established by the EU. The 2013–2015 operational strategy of the EIB combines lending, blending lending with EU funding, and advisory work to respond to the objectives of EU Cohesion Policy and Europe 2020.

The EIB role is well defined in the ESIF legal framework and its contributions may be identified in the following 3 directions:

- a) EIB own actions and lending to projects and programmes of investment in less advantaged regions, co-financing with EU funds and helping to attract other investors. In response to the crisis the EIB is providing EUR 60 billion

additional lending over the period 2013–2015, increasing the target for loans given from EUR 42 billion to EUR 62 billion in 2013, and EUR 60 billion in both 2014 and 2015. This will enable the Bank to increase its activity in four priority areas: innovation and skills, SME access to finance, strategic infrastructure and increased investment to meet the EU’s resource efficiency objectives. As EC is part of the investors board, the projects proposed to financing are consulted with the EC in order to ensure their consistency with the cohesion policy.

- b) EIB involvement in assisting the national governments and managing authorities to implement the cohesion policy, by:
 - a. Assisting governments to access EU Structural and Investment Funds by financing part of their respective national and/or regional contributions.
 - b. Providing technical assistance services. The EIB may, at the request of Member States, participate in the preparation of the Partnership Agreement, as well as in activities relating to the preparation of operations, in particular major projects, financial instruments and PPPs. If the EIB contributes to a programme, it may participate in the work of the monitoring committee in an advisory capacity.
 - c. Managing the financial instruments as fund manager. For example, during 2007-2013 programming period, EIB group was fund manager for financial instruments for enterprises, urban development and energy efficiency.
- c) EIB is also a provider of services to the Commission. As indicated in the legal framework, the Commission may consult the EIB before the adoption of the Partnership Agreement or the programmes; the Commission may request the EIB to examine the technical quality, economic and financial sustainability, and the viability of major projects and to assist it as regards the financial instruments to be implemented or developed.

The Memorandum of Understanding (MoU) between the EIB and the Commission had the purpose to facilitate the auditing and the verification process taking into account the specificities of FEIs implemented under shared management. The international auditing standards have to be respected and the necessary level of assurance should be obtained by the audit authority in order to be able to issue the audit opinion. This MoU sets the understanding of the EIB and the Commission on the most efficient manner to audit financial instruments.

35. In what extent could FEIs and their results have been reflected in the 2014 Commission’s Discharge?

Commission's answer:

Transactions involving financial engineering instruments are part of the sample of transactions that have been audited by the Court of Auditors in the context of the 2014 Commission's discharge.

As explained in paragraph 6.21 of Chapter 6 of the Court's 2014 report, their audit involved an examination of financial instruments through a review of the Commission's progress reporting and seven financial instruments (five ERDF and two ESF financial instruments).

Regarding more particularly ERDF financial instruments, out of the five transactions examined by the Court, one led to a quantifiable error which was integrated in the overall error rate of the cohesion policy.

In addition to the assessment of the regularity of related transactions, a part of Chapter 6 is devoted to the conclusions of the Court's examination of financial instruments under shared management (paragraphs 6.46 to 6.52).

Internal Audit Service (IAS)

The Internal Audit capacities were recentralised.

36. Who suggested the re-centralisation of the audit function?

Commission's answer:

The centralisation of the internal audit function was part of the Mission Letter of President Juncker to First Vice-President Timmermans. On 5 November 2014, the new College took the decision to centralise the internal audit function as from 1 January 2015.

37. Did the re-centralisation improve the internal audit function?

Commission's answer:

Yes, the new organisation is more effective and efficient. It is increasingly important for the internal audit function to look beyond the boundaries of one DG, and this is much more effective in a centralised structure. This is especially important where the same system should be applied by a multitude of different services, such as the area of ESIF, as they share a common legal base (the Common Provisions Regulation).

Also, ensuring recruitment, retention and training of qualified audit staff in small, decentralised audit capacities was a challenge. A centralised Internal Audit Service can better ensure continuity and professional skills and due to a strong quality assurance function guarantees high quality audit reports.

Finally, the centralised IAS is fully independent, which is another guarantee for good quality audits. This is evidenced by a clean bill of health given to the IAS by an external quality assessor. The same external quality assessor pointed to a lack of sufficient independent oversight of the IACs and a perceived risk to their independence.

The central Internal Audit Service is striving to cover all areas that are considered to be exposed to significant risks for the individual DGs, therefore providing assurance in those areas that matter most. In addition, the IAS will also provide the Directors-General with the same type of assurance report, to feed into the Annual Activity Reports (AARs), as IACs used to do (for the first time in February 2016 covering the year 2015).

Commissioner Creu is a member of the Audit Progress Committee, which is chaired by the First Vice President. She closely follows all internal audit matters.

Greece

38. Priority projects in Greece: which of the non-completed projects will be financed with EU money under the new MFF?

Commission's answer:

181 priority projects, (out of which 5 projects funded under ESF have been completed and 176 under ERDF/CF), have been identified for Greece and are under special monitoring. Their progress has been categorised into 5 groups. Under group C – 51 projects were identified for which implementation needs to be accelerated. These amount to EUR 5.5 billion..

In addition, category D contains 14 projects (EUR 1 billion) which are considered at risk of non-completion within the eligibility period. These projects have been identified by the Commission services as 'bottleneck' projects: cadastre, digital schools, national registry.

Even if projects are incomplete on 31 December 2015, they still have time to be completed until closure (March 2017) although the expenditure after this date needs to be paid by the national budget. Therefore, it is of utmost importance that funds are available in 2016 in order to allow completion of projects.

DG Regional and Urban policy has established, in close cooperation with the Greek authorities, a monitoring/screening mechanism to follow-up the closure of the operational programmes 2007-2013 including the priority projects. This has helped to identify implementation problems, discuss and implement corrective measures to overcome the implementation delays. Some of the priority projects are expected to be phased to 2014-2020 period provided they comply with the strategy of the programmes and the regulatory framework. This common exercise will continue until the closure and therefore the list of these projects is not yet known.

The new MFF relate to the programmes 2014-2020 and funds can be used for 2014-2020 programmes under the conditions that they comply with the strategic objectives defined in the framework of the Common Provisions regulation and the partnership agreement..

39. Could you please inform Parliament about the amount of money which was transferred from the envelope of the EU – Structural funds to Greece in 2014 and 2015 with regard to refugee-, asylum-, migration- and integration policy? Could you please also specify the category/ origin of the respective amounts (emergency assistance, extra help, which funds) and how much was committed and the amount actually paid?

Commission's answer:

Under the Regional Operational Programmes in Greece and in particular under Thematic Objective 9 (TO9), all vulnerable groups (including immigrants) can benefit from support either from ERDF or from ESF.

As regards ERDF in 2014-2020, all 13 regional OPs include reference to possible ERDF support for building/refurbishment of open reception centres for migrants. However, such actions are not activated to date.

Other ERDF interventions may be envisaged, in all Regional OPs in the framework of the mainstream interventions under TO9, such as inclusive start-ups, social enterprises, social housing, childcare infrastructure, regeneration of deprived urban areas etc. These interventions are targeted at all vulnerable groups under TO9, including also migrants.

Under the regional OPs, there is no earmarked amount for migrants, therefore specific amounts cannot be provided at this stage. The total ERDF allocation under TO9 (i.e. allocation dedicated to support social cohesion priorities in infrastructure and equipment as identified in the respective regional programmes) is EUR 238,5 million broken down by region as indicated in the table below.

CCI Title	Fund	TO	TO Name	ERDF allocation under TO9
CENTRAL MACEDONIA OP	ERDF	09	Promoting social inclusion and combating poverty	24,451,683
THESSALY OP	ERDF	09	Promoting social inclusion and combating poverty	15,000,000
EPIRUS OP	ERDF	09	Promoting social inclusion and combating poverty	10,376,272
WESTERN GREECE OP	ERDF	09	Promoting social inclusion and combating poverty	13,849,255
WESTERN MACEDONIA OP	ERDF	09	Promoting social inclusion and combating poverty	18,592,092
CONTINENTAL GREECE OP	ERDF	09	Promoting social inclusion and combating poverty	6,179,877
PELOPONNESUS OP	ERDF	09	Promoting social inclusion and combating poverty	8,000,000
IONIAN ISLANDS OP	ERDF	09	Promoting social inclusion and combating poverty	16,872,000
NORTH AEGEAN OP	ERDF	09	Promoting social inclusion and combating poverty	16,000,000
CRETE OP	ERDF	09	Promoting social	17,352,931

			inclusion and combating poverty	
ATTICA OP	ERDF	09	Promoting social inclusion and combating poverty	53,235,286
SOUTH AEGEAN OP	ERDF	09	Promoting social inclusion and combating poverty	6,062,544
SOUTH AEGEAN OP	ERDF	09	Promoting social inclusion and combating poverty	1,500,001
EASTERN MACEDONIA-THRACE OP	ERDF	09	Promoting social inclusion and combating poverty	31,072,787
TOTAL				238,544,728

As regards ESF, asylum seekers and refugees are explicitly mentioned in the Regulation 1304/2013 as one of the target groups that may receive support by the ESF with a view to facilitate their social inclusion and integration into the labour market. ESF can support interventions which can include education for the minors and, as soon as asylum seekers have access to the labour market, active labour market measures like language trainings, upskilling or reskilling, job search assistance, etc. However, there is no specific allocation of ESF amounts to actions related to refugees/asylum seekers.

Czech Republic

40. In your reply to the parliamentary question E-007063/2015 the Commission informed us about the following:

- a. *"The second part [of the Czech audit authority's report] concerning the 2007 – 2013 period is awaited"*. Has the Commission received the report in the meantime and what is the Commission's reaction to the findings in the second part of the audit report? What action is it taking?

Commission's answer:

The second part of the audit was received in August. In October, the Commission issued a letter of warning of possible interruption of payment deadlines for the projects affected (meaning that the Member State cannot declare expenditure to the Commission under the projects affected). Further steps are defined in the mentioned warning letter: the Czech authorities shall undertake requested corrective actions (e.g. to apply adequate financial corrections).

- b. *"The Commission has interrupted payments to the affected priority of the Technical Assistance programme 2007-13 since October 2014 for separate public procurement issues."* Could the Commission please inform us about the state of play?

Commission's answer:

The Czech authorities submitted additional information based on which the Commission identified some public procurement related risks. It issued a second letter in December 2015 requesting the Managing Authority and the Audit Authority to carry out some additional verifications. No payments will be effected for the relevant priority axis 2 of the OP Technical Assistance until the issues at risk are resolved.

- c. *"The Commission has informed OLAF and will monitor the follow up of these issues"*. Could you please inform us about the state of play?

Commission's answer:

The Commission has informed OLAF about the monitoring system. OLAF is still assessing the information provided. No information on the implementation of the requested corrective actions has yet been reported to the Commission.

41. According to our information the Czech company *apí hnízdo* received EU and national funding amounting to 50 million CZK. Apparently the company *Agro ZZN Pelh imov*, who was a subsidiary of the company *Agrofert*, was first transferred into a public limited company with 20 anonymous bearer shares and afterwards renamed into *apí hnízdo*. A Police enquiry was launched in the Czech Republic. Is the Commission aware of this potential unlawful subreption of EU funds? Is the Commission willing to ensure that the company fulfilled all criteria in order to be eligible to receive these EU-funds (especially with regard to the EU-definition of a medium size-enterprise)? Is the Commission aware of a possible conflict of interest?

Commission's answer:

According to the information stated in the Czech press, the grant for the project of *Stork farm* was not provided in line with the defined conditions for the call for proposals under the Regional OP Central Bohemia, as the applicant was not a SME, which was the only possible final beneficiary under the published call for proposals. The Managing Authority of the Regional OP Central Bohemia informed us that the final beneficiary provided a statutory declaration that it was a SME.

The European Commission will request the Czech Certifying and Audit authorities to carry out additional verifications to check whether indeed all conditions were fulfilled when providing this grant. At this stage no breach of rules has been confirmed. If this will be the case, then the grant (already paid by the Commission) will be deducted during the closure of the programme.

42. The *Masarykova University* in the Czech Republic participates in the Structural Funds program for Innovation 2007-2013. For *CEITEC* two MRI (magnetic resonance imaging) devices were bought for 102 Mio CZK without call for proposal. An enquiry of the Ministry of Justice in the Czech Republic

concluded that the two instruments were overpriced. Which steps undertook the European Commission to correct this overpriced instruments? Which other steps were undertaken concerning the overall program worth 5 bn CZK as - obviously, the foreseen control chain is not working?

Commission's answer:

The case of MRI is ongoing for two years now. CEITEC purchased the equipment at the beginning of 2014 for CZK 102 million from Siemens following negotiated procedure without prior publication of a contract notice. Main reason for using the negotiated procedure was the unique combination of technical and software functions of Siemens MRIs which are necessary for the planned research activities of CEITEC. This approach was confirmed by the managing authority of the OP Research and Development for Innovation based on 4 expert opinions (done by 3 international and 1 Czech expert in the field) which confirmed the necessity for specific parameters of the MRI equipment and its uniqueness at the market, while setting the maximum price for the purchase at CZK 130 million.

This approach was later contested by Philips, another producer of MRI, who launched a complaint at the Office for the Protection of Competition of the Czech Republic. The Office for the Protection of Competition confirmed in April and November 2014 that the purchase of the MRIs was done in line with the law on public procurement. The Police of the Czech Republic also verified the purchase and found no reason to start investigation in the matter.

The mentioned enquiry of the Ministry of Justice relates only to one of the 4 expert opinions (done by Czech Technical University in Prague) and concludes that there are some formal discrepancies but clearly declares that the findings are *"not related to the accuracy of the expert opinion ... or to the question whether the evaluated MRIs were overpriced"*.

The managing authority of the OP R&D for Innovation then asked for a reworked expert opinion of the Czech Technical University which takes all the reservations of the Ministry of Justice into account. This expert opinion confirmed the previous results.

In order to close the issue, the managing authority of the OP R&D for Innovation then asked for a final expert opinion done by the Institute of Forensic Engineering in Zilina (Slovakia). The opinion from May 2015 confirmed that all doubts related to uniqueness and necessity of the purchased MRIs, possibility of supply by another producer and price are not substantiated.

The purchase of the MRIs is also being verified by the Audit Authority which is yet to issue its decision on the matter. For that reason, no expenditures related to the purchase of the MRIs were yet certified to the European Commission.

The Commission is awaiting the decision of the Audit Authority. The Commission services are of the opinion that the managing authority of the OP R&D for Innovation took all the necessary steps to verify the correctness and accuracy of the provided expert opinions.

43. During the past months a lot of media and political attention was focused on the IT monitoring systems in the Czech Republic from the beneficiary of Ministry of Regional Development. How much of the EU funds were allocated

and actually paid for all projects related to the IT monitoring systems in 2004 – 2006, 2007 – 2013 and 2014 – 2020? In case more monitoring systems were in place, could the Commission please provide us with the information for all of them?

Commission's answer:

Under the 2004-2006 programming period, several IT systems were financed. Majority of the related contracts were awarded directly since these were low value contracts.

Under the 2007-2013 programming period, several monitoring systems are financed by the OP Technical assistance (OPTA) and managed by the Ministry for regional development: Monit7+, Benefit, Data warehouse, Management information system (those are IT systems related to the 2007-2013 implementation). Also, part of the new MS2014+ is supposed to be financed under OPTA.

The allocation from the ERDF under the OPTA for the monitoring system amounts to EUR 49,6 million and so far the Commission has paid out EUR 25.4 million. The contracts related to systems for 2007 - 2013 were awarded via negotiated procedure without publication (upgrade of the initial IT systems for 2004-2006).

For 2014-2020, under the OPTA II, EUR 60 million are allocated both for the continuation of the 2007-2013 systems and for MS2014+. Nothing has been paid for now from the new operational programme. As for the system for 2014 – 2020, the contracts were awarded via open procedure however the audit authority detected several breaches of public procurement rules in these contracts.

- a. Which public procurement procedures were used for the award of the contracts?

Commission's answer:

The Honourable Member is referred to the reply above to question 43.

- b. How much money was paid to Tesco SW as contractor or subcontractor in those contracts?

Commission's answer:

The Commission is not in a position to provide data at short notice on the funding received by contractors or subcontractors: under shared management, only the individual managing authorities have specific details on projects implemented readily available.

- c. Could you please provide us with the summary of findings and corrections detected by the Czech auditors for the 2014-2020 period. Was the report of the Czech auditors acceptable for the Commission?

Commission's answer:

The Czech IT monitoring systems affected by audits and/or investigations are:

- IS MONIT (direct award of a contract; 100% financial correction accepted);
- MONIT7 (direct award of a contract; interruption of priority axis ongoing);
- MS2014+ (performance audit with severe findings identified, see below; 25% correction proposed);
- three ISOP projects under OP Enterprise and Innovations.

As far as the MS2014+ IT system for 2014-2020 is concerned, the Czech audit authority audited all 12 procured contracts. The main findings were identified in 3 high value contracts (96% of the value of all contracts):

- a) Modification of tender specifications without obligatory approval of the relevant government body
- b) Evaluation criteria set in breach of sound financial management
- c) The winning tender did not fulfil the selection criteria
- d) Disproportionate contract conditions
- e) Changes in the composition of the contract implementation team not respecting tender conditions
- f) The evaluation of offers was not transparent
- g) Artificial split of contracts for hardware and software
- h) Use of brand names in the tender specification

The Czech auditors proposed financial corrections of 25% for most of the findings.

In addition, the Czech auditors raised following potential fraud related issues for which they proposed in their report a 100% financial correction :

- Alleged collusion between 2 tenderers
- Allegation that the contracting authority deliberately defined the award criteria in a manner that favoured the winner.

The Commission services received in March 2015 the performance audit report on the IT systems (focused in particular on the new MS2014+) carried out by the national audit authority. This has been analysed as per the Commission standard procedures dealing with national audit reports and the Commission replied to the audit authority in April, taking note of the proposed financial correction of 25% due to the identified breaches of public procurement rules. However the Commission recommended to wait for the outcome of the ongoing police investigations before it can be decided on what the final level of financial corrections should be applied. OLAF was informed in May 2015.

In addition to the above, the Commission was informed that the Czech police launched an investigation linked to MS2014+ on 19 March 2015. On 24 March 2015, the managing authority sent a letter to the Commission specifying that the

investigation is linked to ten projects of the programme in question, which were also subject to the above mentioned audits of the audit authority.

- d. Could you please specify the contract where a member of the Commissioner Jourova's cabinet participated in the evaluation Committee? Was this contract affected by any findings and corrections?

Commission's answer:

The Honourable member refers to the contract for the acquisition, development and maintenance of the IT monitoring system 2014 – 2020 (MS 2014+ application), as decided by the Czech government in 2011. According to information available to the Commission, the evaluation committee was composed of 9 members. The audit authority identified several findings and proposed financial corrections, which have been contested by the auditee and are still being discussed according to the national relevant procedures.

Among other checks, the tender is also being assessed by the Office for the Protection of Competition.

- e. Which actions has the Commission taken or is planning to take in order to address the IT monitoring issues in the Ministry of Regional Development?

Commission's answer:

The Commission has already issued warning letters for the IT systems both related to the implementation of the 2007-2013 and 2014-2020 periods. No payments will be carried out until the respective corrective measures are implemented and the police investigation related to the MS2014+ is completed.

- f. A former employee of the Ministry of Regional Development is working in the cabinet of Commissioner Cretu and is responsible for negotiations with the Czech republic (represented by the Ministry of Regional Development). How does the Commission address his conflict of interest especially when taking into account the above mentioned issues?

Commission's answer:

1. The Staff Regulations foresee that already at recruitment, the existence or not of a conflict of interest, be it actual or potential, is assessed. This applies to all staff including cabinet members. In this respect, a declaration of conflict of interest is filled in by the applicant and assessed by the relevant services. Should a potential conflict of interest be identified, the Appointing Authority will either impose appropriate mitigating measures if appropriate, or ultimately not recruit the applicant, should it be impossible to avoid a conflict with the legitimate interest of the Commission. All staff recruited by the Commission sign at their recruitment a declaration of absence of conflict of interest. In the current case, no

conflict of interest was identified.

2. Additionally, it should be noted that Cabinet members do not conduct negotiations with the Member States.

3. The person referred to, in the period employed by the Ministry for Regional Development, was not involved in the selection, award or payment of any contract.

44. Complaint – OP Enterprise and Innovations for Competitiveness in the Czech Republic

- b. Referring to a complaint received by the EP and the EC related to the OP mentioned above, can the Commission confirm that the first calls for project submissions published on the web were indeed modified by the managing authority according to the request of the Agrofert representative Mr. Ci. in his letter?

Commission's answer:

The Commission has no other information than press articles or the anonymous complaint and therefore cannot comment. The first calls for proposals under the OP Enterprise and Innovation for Competitiveness were launched before summer 2015. The Commission services are currently closely monitoring the first calls for proposals and the proposed selection criteria and had already planned to carry out an audit on selection procedures in the first semester 2016.

In any case the Commission has already notified this anonymous complaint to OLAF, as per its normal procedures in such circumstances.

- c. Was the Commission aware of the meeting concerning the above mentioned issue at the premises of ANO political party with representatives of Agrofert?

Commission's answer:

No, the Commission was not aware of such a meeting, as can be expected under the shared management of hundreds of programmes by national authorities.

- d. Was this issue discussed at the monitoring committee where Commission representatives participated?

Commission's answer:

Yes, during the monitoring committee of the OP Enterprise and Innovation for Competitiveness the Commission representatives raised the question about the increased support for large enterprise (40% in contrast to 20% stated in the adopted OP) as for five first calls the share of large companies reached 40%.

These were the first calls for proposals opened and the threshold of 20% needs to be respected over the period: the percentage can be balanced with further opened

calls where the support for large enterprises will be lower to respect the average share of 20% at priority level. The Commission representatives clearly stated that overall increasing the threshold for the support of large enterprises up to 40% / 50% at priority axis level is not acceptable (although not officially requested by the managing authority), as preference is to be given to support SMEs.

So the programme has not changed its rules in favour of large enterprises.

e. What is the budget of the calls affected by the above mentioned issue?

Commission's answer:

The total budget for the five calls referred to in question c) amounts to CZK 14 billion (approx. EUR 500 million).

f. As the company Agrofert is owned by the minister of finance who is also in charge of audits and certification of EU funds in the Czech Republic, has the Commission considered a possible breach of the rules related to the conflict of interest?

Commission's answer:

The fact that the Minister of Finance is still owner of the shares of the Agrofert Holding is known by the Commission. He had however resigned from all executive and supervisory positions in his companies, in line with the Czech legislation on conflict of interest.

The Commission services had in any event already planned an on-the-spot early preventive system audit on the OP Enterprise and Innovation for Competitiveness in the context of the designation procedure, focusing amongst others on projects selection. If there is clear evidence of serious deficiencies in the functioning of the management and control system, payments will be interrupted and appropriate financial corrections will be required.

The Commission services have already notified this anonymous complaint to OLAF, as per its normal procedures in such circumstances.

g. Which actions has the Commission taken or is planning to take on this issue?

Commission's answer:

The Commission services are closely monitoring the launch of the implementation of the OP Enterprise and Innovation for Competitiveness. At this moment, this OP includes a threshold of 20% for maximum support of large enterprises at the level of priority axes. To increase this threshold, the OP would have to be modified. The Commission clearly informed the Managing Authorities of the OP Enterprise and Innovation for Competitiveness that such modification is not acceptable.

In addition to the planned audit on the OP Enterprise and Innovation for Competitiveness as described above, the Commission is also closely monitoring

the work of the Czech audit authority. The relevant audit services have planned to carry out an audit on the spot during the 2nd semester of 2016 to review the reliability of the work of the Audit Authority. If necessary, the Commission will undertake appropriate actions to ensure that the expenditure declared to the Commission is subject to adequate independent and professional audits at national level.

Italy

According to data updated to 30 September 2015, Italy had about six and half billion to spend in three months on behalf of the national and regional operational programs financed by ERDF and ESF. Of these, more than five billion come from the national and regional operational programs in the convergence objective (in fact, the South Italy)

45. Could the Commissioner give us an updating, less than a month from 31 December 2015, on the eligibility of this funding, also realistically explaining how much Italy risks to lose as a result of the automatic de-commitment?

Commission's answer:

In the system of shared management there is need for some time for the payments from the beneficiaries to arrive at the level of the Commission. Once the beneficiaries declare payments under their projects those payments are verified by the programme authorities (full management verifications and punctual verifications of the certifying authority) before they are declared to the Commission. Therefore, the data available at the level of the Commission shows real implementation with a certain "delay" when taking into account the time needed for the controls on national / regional level.

According to EU regulations, there will be no automatic decommitment at the end of 2015. All expenditure incurred (that is related to activities provided before the 31 December 2015) and paid by 31 December 2015 will be considered eligible. Eligible expenditure will need to be certified to the Commission at the latest by 31 March 2017, which is the final date for the submission of all closure documents to the Commission. .

The task forces set up for the programmes most in difficulty (Calabria, Campania, Sicily and Reti) will continue to monitor the programmes on the ground until closure. While the situation on the ground is still difficult, it has improved markedly since 2012 and there are now reasonable prospects for three out of the four programmes concerned. Campania continues to raise serious concerns.

Some regions continue to have problems of absorption of funds, and those same regions have had serious problems in providing the regional operational plans for 2014-2020. The Commission has prepared a task force and sent its staff to improve the situation, but this is not turning out enough.

46. How the Commission intends to solve programming problems encountered? Is the Commission considering various actions to those regions that are not able

to provide realistic operational plans? What is the level of central Member State involvement?

Commission's answer:

Poor governance at regional and, to a lesser extent, national level, has long been identified as one of the major weaknesses affecting the implementation of EU funds in certain regions of Italy, primarily in the South, even if some exceptions can be identified (Puglia, Basilicata). Five consecutive country specific recommendations have been issued within the framework of the European semester inviting Italy to improve administrative capacity in the management of EU funds. Most importantly, within the context of the negotiations of the 2014-2020 programming period, all national and regional authorities responsible for the management of EU funds have had to prepare a plan for administrative reinforcement designed to make sure that they have the structure, competence and resources necessary to manage the resources entrusted to them. Adoption of all programmes was made conditional upon the adoption of these plans which identified clear targets, objectives and milestones. In order to monitor the implementation of these plans the Italian government has set up a high level steering committee, in which Commission services participate.

Specific issues such as public procurement, state aid, environmental legislation and others which are considered critical for an effective implementation of Cohesion policy and which are responsible for serious irregularities in Italy, have been addressed within the context of the Ex-ante conditionality exercise. This exercise is designed to put in place the legislative and operational conditions which are necessary for a proper functioning of cohesion policy.

At national level, the new Agency for territorial Cohesion has now become operational despite remaining staffing problems. The Agency is responsible for the monitoring, supervision and coordination of all Italian operational programmes. It coordinates its work with that of the Department for Territorial Cohesion within the Prime Minister's office which is responsible for policy and horizontal issues relating to Cohesion policy.

With respect to the 2007-2013 programming period, Italy is one of the eight member states forming part of the Better implementation initiative launched upon Commissioner's Cretu initiative with a view to improving EU funds performance in a certain number of EU Member States and/or regions faced with difficulties. For Italy, the initiative only concern 4 programmes (Calabria, Campania, Sicily and Reti). It builds upon the task force exercise launched in 2011 to accompany these programmes. The work of the task force has contributed to minimising the risk of losing resources for these programmes from the initially established EUR 2.5 billion to the current EUR 0.5 billion which the Commission is confident to be able to reduce further.

The Honourable Member is also referred to the reply to question 26.

In Italy, in various regions, the Commission applied interruptions of payment due to the weakness in the audit of transactions involving state aid, irregularities in public procurement and ineligible expenses.

47. The Commission can provide data about it? How many funds are still blocked? What are the fundamental critical issues of the Italian management and control system for the Commission and what actions are necessary to solve the situation?

Commission's answer:

There are two ERDF interrupted programmes for Italy at the moment:

- Ricerca e Competitività (issues concerning weak management verifications and deficient selection of operations)
- Sicilia (issues concerning deficient selection of operations)

For both programmes there are no outstanding payments blocked by the Commission at the moment. Nevertheless, the Commission has warned the Italian authorities that payments for the two programmes will not be processed if they are claimed before resolution of some deficiencies. In both cases, the Commission has asked the Italian authorities to improve the systems and to carry out financial corrections, if necessary, after additional verifications.

The situation in Italy reveals shortcomings undermining the implementation, such as:

- Weak capacity of some regional and national administrations;
- A national Agency for territorial cohesion which in spite of having been established two years ago, is still not fully operational and staffed;
- High turnover of staff in the management and control bodies;
- Inefficient public procurement system;
- Incorrect application of state-aid rules;
- Inadequate controls on retrospective projects
- High level of bureaucracy triggering ineffective and opaque procedures;
- Poor coordination of institutions, including for the audit and control bodies.

For each programme where payments have been interrupted an action plan of corrective measures has been put in place tailored to the weaknesses identified in the specific case. Only after having obtained assurance that the corrective measures had been implemented, the related payments have been released.

The Honourable member is also referred to the reply provided under question No 45 concerning the time gap between payments made to beneficiaries and payments declared to the Commission.

In Calabria, in 2011 the European Union had committed to the Region more than 5 million euro to be allocated to disabled people who wanted to eliminate architectural barriers in their homes. However for an error in the call for tenders published by the Region, hundreds of disabled people (who have been admitted to the call of the European Union) in 2014 expected to be reimbursed after anticipated up to 25,000 euro for the works of adaptation, but in fact the EU Fund was assigned for the

authorities and not for individuals. The funds were frozen and are likely to be lost if not spent by 31 December.

48. What steps has the Commission taken in this regard to solve the situation?

Commission's answer:

It is not correct to say that the funds related to the project have been frozen. The Managing authority of the ROP Calabria 2007-2013 has decided not to certify the expenditure related to the project at issue to the Commission as doubts have emerged with respect to the eligibility of the planned interventions to EU funding.

Indeed, it falls within the competence of the national authorities to verify the regularity and legality of expenditure and projects to be co-funded by the EU before certifying them to the Commission. According to the information provided by the Managing authority, the regional authorities are assessing the possibility to provide the necessary funding through national resources.

In Sicily it turns out that ERDF funds allocated to "events of great tourist attraction" were used actually to finance fairs and festivals. The European Commission has stopped payments because such events do not fall within the objectives of the ERDF funding.

49. Could the Commission give details of the current situation? Are there other Regions involved in the same issue? How many funds remain blocked?

Commission's answer:

The Commission has not blocked any payments concerning the issue described in the question of the Honourable Member. Indeed, expenditure initially certified under this intervention line has been decertified by the Managing authority itself following a case of alleged fraud concerning the organisation of these events.

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