RESOLUTION OF THE EUROPEAN PARLIAMENT
of 22 April 2008

with observations forming an integral part of the decision on discharge in respect of the implementation of the European Union general budget for the financial year 2006, section III — Commission

THE EUROPEAN PARLIAMENT,

— having regard to the European Union general budget for the financial year 2006 (1),


— having regard to the Commission’s report on Member States’ replies to the Court of Auditors’ 2005 annual report (COM(2007) 118),


— having regard to Opinion No 2/2004 of the Court of Auditors on the ‘single audit’ model (and a proposal for a Community internal control framework) (3),

— having regard to the Commission communication on a roadmap to an integrated internal control framework (COM(2005) 252),

— having regard to the Commission’s action plan towards an integrated internal control framework (COM (2006) 9), the report from the Commission to the Council, the European Parliament and the Court of Auditors on the progress of the Commission action plan towards an integrated internal control framework (COM(2007) 86), and the Commission staff working document accompanying that report (SEC(2007) 311),

— having regard to Opinion No 6/2007 of the Court of Auditors on the annual summaries of Member States; ‘national declarations’ of Member States; and audit work on EU funds of national audit bodies (4),

(1) OJ L 78, 15.3.2006.
(2) OJ C 274, 15.11.2007, p. 1.
(4) OJ C 216, 14.9.2007, p. 3.
having regard to the Commission’s action plan to strengthen the Commission’s supervisory role under shared management of structural actions (COM(2008) 97),

having regard to the report from the Commission to the Council, the European Parliament and the Court of Auditors on the Commission action plan towards an integrated internal control framework (COM (2008) 110), and the Commission staff working document accompanying that report (SEC(2008) 259),

having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2006, together with the institutions’ replies (1), and to the Court of Auditors’ special reports,

having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (2),

having regard to the Council’s recommendations of 12 February 2008 (5842/2008 — C6-0082/2008 and 5855/2008 — C6-0083/2008),

having regard to Articles 274, 275 and 276 of the EC Treaty, and Articles 179a and 180b of the Euratom Treaty,

having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (3), and in particular Articles 145, 146 and 147 thereof,

having regard to Rule 70 of and Annex V to its Rules of Procedure,

having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A6-0109/2008),

A. whereas Article 274 of the EC Treaty establishes that responsibility for implementation of the Community budget lies with the Commission and must be exercised with regard to the principles of sound financial management, in cooperation with the Member States,

B. whereas the implementation of EU policies is characterised by the shared management of the Community budget by the Commission and the Member States, under which 80 % of Community expenditure is administered by the Member States,

C. whereas in its resolution of 24 April 2007 (4) on discharge in respect of the financial year 2005, it proposed that each Member State must be able to take responsibility for the management of EU funds received by it, either through a single national management declaration or in the form of several declarations within a national framework,

D. whereas the urgent need to introduce national declarations at an appropriate political level, covering all Community funds under shared management, was proposed by it in its 2003 and 2004 discharge resolutions,

E. whereas, in its Annual Report concerning the financial year 2006 (point 0.10), the Court of Auditors (ECA) recognised the importance of national declarations together with the annual summaries in as far as ‘all these elements, if properly implemented, could stimulate improved management and control of EU funds in Member States’ and in as far as, with some conditions, ‘such elements could give added value and be used by the Court following the requirements of international auditing standards’,

(2) OJ C 274, 15.11.2007, p. 130.
F. whereas the ECA in its Opinion No 6/2007 on the annual summaries of Member States and 'national declarations' of Member States also stressed that national declarations can be considered a new element of internal control of EU funds, and that if they highlight strengths and weaknesses, they will stimulate improved control of the EU funds under shared management,

G. whereas improvement of financial management in the EU must be supported by a close monitoring of progress in the Commission and in the Member States, and Member States should assume responsibility for the management of EU funds, ensuring the completion of an EU integrated internal control framework with the aim of obtaining a positive DAS,

H. whereas implementation of point 44 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management (IIA) (1) and of Article 53b(3) of the Financial Regulation, concerning summaries of the audits and declarations available, should make a substantial contribution towards improving management of the Community budget,

I. whereas the principle of sound financial management, including effective internal control, is one of the budgetary principles set out in the Financial Regulation, following its amendment by Regulation (EC, Euratom) No 1995/2006 (2), as referred to by the Commission in its action plan towards an integrated internal control framework,

J. whereas the work of its Committee on Budgetary Control in general, and the discharge procedure in particular, form part of a process seeking to establish the full accountability of the Commission as a whole, of individual Members thereof and of all other relevant actors, of which Member States form the most important part, for financial management in the EU, in accordance with the Treaty, and thereby create a sounder basis for decision-making,

K. whereas it will take due account of the results and recommendations of the discharge in respect of the financial year 2006 during the next budgetary procedure,

L. whereas the Council should aim to strengthen the reform efforts and the responsibility of the Member States for remedying the problems identified by the ECA and for ensuring better financial management in the European Union,

M. whereas 2006 was the European Year of Workers’ Mobility, which raised awareness of mobility in the establishment of a genuine European labour market, and prepared the way for the European Year of Equal Opportunities for All in 2007,

MAIN CONCLUSIONS

1. Welcomes the progress made by the Commission towards a more efficient use of EU funds and in the overall control environment, which is reflected by the ECA’s statement of assurance (DAS); welcomes in this light the statement of the ECA on the financial impact of errors; invites it to apply this to all chapters of its annual report in the future;

2. Welcomes the considerable progress made in the management of common agricultural policy (CAP) funds, in particular thanks to the functioning of the Integrated Administrative Control System (IACS), and reminds Greece of its obligation to implement the IACS in accordance with its action plan;

3. Welcomes the commitment by the Commission to report on a monthly basis to its Committee on Budgetary Control on the implementation of the follow-up to the 2006 discharge procedure, whereby every month one Member of the Commission presents developments in his or her area of responsibility, covering national declarations and annual summaries, external actions and the implementation of the action plan to strengthen the Commission’s supervisory role under shared management of structural actions;

National management declarations

4. Welcomes the Commission’s commitment to give firm political support to national initiatives to draw up and publish national declarations, audited by national audit institutions, and to continue to encourage Member States to follow the example of Denmark, the Netherlands, Sweden and the UK; expects therefore the Commission to insert a new action point on promoting national management declarations as part of its review and follow-up to the abovementioned action plan towards an integrated internal control framework; expects furthermore that the Commission and the Member States will ensure that the national summaries fully respect the purposes and spirit of point 44 of the IIA;

5. Is of the opinion that the Commission must react to fulfil important requests made in Parliament’s resolution accompanying the discharge decision in respect of the financial year 2005, which is not the case in the field of national declarations, where Parliament asked the Commission to submit to the Council before the end of 2007 a proposal for a national management declaration covering all Community funds under shared management; regrets the Commission’s tacit acceptance of Member States’ collective irresponsibility, with the exception of Denmark, the Netherlands, Sweden and the UK, concerning financial management in the European Union;

6. Is of the opinion that the Commission must present complete and reliable figures for recoveries, specifying the exact budget line and year to which the recovery relates; any other presentation makes serious control impossible; is aware that the Commission to a large extent has to obtain this information from the Member States; points out that, for this purpose, Parliament for the last three years has proposed the introduction of national management declarations in order to put the Commission in a position where it is able to present the missing information and fill the transparency gap;

Structural Funds

7. Welcomes the publication of the abovementioned action plan to strengthen the Commission’s supervisory role under shared management of structural actions in reaction to the concerns raised by Parliament in the course of the discharge procedure in respect of the financial year 2006; will closely monitor the reporting on this action plan in preparation for the discharge procedure in respect of the financial year 2007;

8. Welcomes the firm commitment made by the Commission to ensure that any undue payments are recovered in the time remaining before the closure of winding-up procedures for the period 2000 to 2006;

9. Welcomes the Commission’s commitment to enforce the Financial Regulation in full, in particular in relation to annual summaries; expects the Commission to keep Parliament fully informed of all legal actions brought against, and failures to comply by, Member States; welcomes in this light the preliminary assessments of the quality of the annual summaries for agriculture and Structural Funds; looks forward to the final assessments in the annual activity reports of the different Directorates-General;

10. Considers a major achievement of the discharge procedure in respect of the financial year 2006 the commitment made by the Commission to correct all individual errors found in the ECA’s Annual Report, and in particular the commitment to make 100 % corrections in all cases of serious breach of public procurement procedures and to apply flat-rate or extrapolated financial corrections whenever it finds systemic tendering problems;

11. Requests, however, the Commission to present objective, clear and full information on its capacity to recover unduly paid amounts;

12. Welcomes the fact that as a direct result of the discharge procedure in respect of the financial year 2006 the Commission has finally committed itself to applying a policy of suspending payments as soon as possible following detection of serious weaknesses in the system;
13. Is looking forward to the quarterly reports on corrections and recoveries which are to be audited by the ECA, including the establishment of a system and a reporting scheme allowing recoveries made ex post to be linked to the year when the actual funding was allocated; hopes that this will give it, for the first time and in time for the discharge procedure in respect of the financial year 2007, a good overview of the state of play in this field; is of the opinion that the Commission should present a scoreboard and a final date for the implementation of its abovementioned action plan to strengthen its supervisory role under shared management of structural actions;

14. Reminds the Commission of the commitments made at the extraordinary hearing before its Committee on Budgetary Control of 25 February 2008:

(a) concerning the implementation of the abovementioned action plan to strengthen the Commission's supervisory role under shared management of structural actions, to improve audits, to decide on and apply the necessary suspension and correction procedures and to improve recoveries, and awaits quarterly reports on the implementation thereof;

(b) to develop in close cooperation with the ECA a new reporting scheme on recoveries and financial corrections, and expects it to present a detailed timetable for the development and application of this new scheme;

(c) to present an action plan with detailed measures on how to prevent extreme errors from occurring;

15. Endorses the Commission’s position that, where irregularities are detected, corrective action, including the suspension of payments and the recovery of undue or erroneous payments, will be taken, and that it will report to Parliament at least twice a year on the measures it takes in this respect;

**External actions**

16. Considers that following the discharge procedure in respect of the financial year 2006, the Commission has become increasingly aware of the importance of transparency, visibility and political guidance for all EU funds implemented in the area of external actions, be it directly by the Commission or via decentralised management or international trust funds;

17. Welcomes the commitment of the UN representative to Iraq to improve real time information to the Commission, and considers that the 13 months of close research into the use of EU funds via international trust funds has contributed to increased awareness of the need for accountability regarding the use of EU taxpayers' money; invites the Commission to cooperate closely with it in the revision of the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA);

18. Welcomes the fact that the Commission included information on verification missions under FAFA, as well as the relevant conclusions, in the annual activity reports signed by the competent Directors-General at the end of March 2008, and that this allowed Parliament to take that information into account during its vote on this report;

19. Accepts the Commission’s proposal to discuss the question of a definition of non-governmental organisation (NGO) after the results of the ECA’s ongoing audit of NGOs have been made available;

20. Calls on the Commission to:

(a) provide it with regular information on EU financing of multi-donor trust funds, both on its own initiative and at Parliament's request;
21. Welcomes the Commission's commitment to further inform it of beneficiaries of funds, as referred to in Article 30(3) of the Financial Regulation, as well as to further increase political steering, visibility and control over these funds, in particular over funds managed via international trust funds;

22. Insists on public access to information concerning all members of expert and working groups working with the Commission, as well as full disclosure of beneficiaries of EU funding;

**HORIZONTAL ISSUES**

**Statement of Assurance**

**Reliability of the accounts**

23. Notes with satisfaction the ECA's positive opinion concerning the reliability of the final annual accounts and its statement that, except for some observations, the accounts present fairly, in all material respects, the financial position of the Communities and the results of their operations and cash flows as at 31 December 2006, in accordance with the provisions of the Financial Regulation and the accounting rules adopted by the Commission's Accounting Officer (Chapter 1, Statement of Assurance, paragraphs VII to IX);

24. Expresses none the less its concern at the ECA's observations regarding errors identified in amounts registered in the accounting system as invoices or cost statements and pre-financing, which have the effect of overstating the amounts payable by some EUR 201 million and the total amount of long and short term pre-financing by some EUR 656 million; regrets in particular weaknesses in the accounting systems of certain Directorates-General, which still endanger the quality of financial information (in particular for cut-off and employee benefits) and lead to a number of corrections after the presentation of the provisional accounts;

25. Deplores the fact that financial documents are not made available to members of the Committee on Budgetary Control in all the official languages of the European Union;

26. Notes that the Commission's Accounting Officer was not able to provide validation regarding the financial year 2006 to the local systems of the EuropeAid Cooperation Office, the Directorate-General for Education and Culture and the Directorate-General for External Relations;

27. Reminds the Commission of its commitment in its annual report to the discharge authority on the follow-up to 2005 discharge decisions to provide the budgetary authority with six-monthly reports on the management of pre-financing operations, as requested in Parliament's resolution accompanying the discharge decision in respect of the financial year 2005, and deeply regrets that no such report has as yet been submitted;

**Legality of the underlying transactions**

28. Notes with satisfaction that the ECA considers that in areas where the supervisory and control systems are implemented in a manner which provides for adequate risk management, the transactions taken as a whole are free from material error;

29. Deplores, none the less, the fact that in extremely important Community spending areas, such as structural measures, internal policies and external actions, payments are still affected by high material error at the level of implementing organisations;
30. Expresses its deepest concern at the fact that the ECA continues to find weaknesses in the operation of supervisory and control systems and in the reservations on the assurances provided by the Directors-General, in particular as regards the legality and regularity of underlying transactions, and reminds the Member States and the Commission of their responsibilities in this regard;

**Information and framework of the Statement of Assurance**

31. Welcomes the work carried out by the ECA to further improve the clarity of the DAS as regards factors contributing to more efficient and effective control systems in each sector from year to year, and invites the ECA to continue to regularly inform Parliament of progress in this regard;

32. Regrets the lack of clarity concerning the legality and the inevitable impact on the media of the ECA's reporting of EU funds being received by certain beneficiaries (railway companies, horse riding/breeding clubs, golf leisure clubs and city councils) in accordance with the eligibility rules; points out that from a legal perspective this is ultimately a discussion of the eligibility rules; emphasises that it has supported the ECA in the past, and will continue to do so, when commenting on efficiency and effectiveness in its special reports;

33. Reiterates that the ECA made the use of available audits and reports of national audit institutions an integral part of its new methodology; asks the ECA to inform Parliament's Committee on Budgetary Control as to how it uses this information and asks further the ECA to give an opinion on the usefulness of the information obtained from national audit institutions when drawing up its annual report;

34. Welcomes the quality of specific parts of the ECA's Annual Report, such that concerning structural measures, which enables all actors concerned to identify problems and focus their efforts on necessary improvements;

**Budgetary management**

35. Notes the efforts made by the Commission's services during 2006 to ensure the completeness and accuracy of the registration of new pre-financing payments, of new open invoices and cost statements, and of cut-offs;

36. Notes that, in relation to Structural Funds, 2006 was the last year of the 2000 to 2006 programming period, by the end of which all commitments for that period had to be made;

37. Is concerned that outstanding budgetary commitments as at the end of 2006 represent the full extent of the remaining payments to be made for the financial perspective 2000 to 2006, corresponding to 28 % of the total amounts of the related financial perspective headings for the whole period;

38. Regrets that outstanding budgetary commitments — unused commitments carried forward to be used in future years, mainly on multiannual programmes — related to structural operations and the Cohesion Fund increased in 2006 by EUR 12,6 billion (10,6 %) to EUR 131,6 billion;

39. Is concerned that $n + 2$ pressure spending might interfere with a proper undertaking of the winding-up procedures for structural programs and projects; points out that for 2007, payments concerning Structural Funds have already gone up by almost 50 % in comparison to 2006: stresses that the Commission should ensure an effective winding-up procedure and emphasises the important role that Member States have in this;
40. Regrets also the fact that the spending rate for the Cohesion Fund, ERDF and ESF was less than expected in the new Member States and linked to difficulties encountered by those Member States in absorbing expenditure; asks the Commission to give a more detailed explanation for lower than nationally forecast spending on structural operations;

**National management declarations and point 44 of the IIA**

41. Recalls the urgent need to introduce national declarations at the appropriate political level, covering all Community funds coming under shared management, as requested by it in its resolution accompanying the discharge decision in respect of the financial years 2003, 2004 and 2005;

42. Recalls that in its resolution accompanying the discharge decision in respect of the financial year 2005, Parliament asked the Commission to submit to the Council before the end of 2007 a proposal for a national management declaration covering all Community funds under shared management based on sub-declarations by the various national bodies responsible for the management of expenditure; rejects the answer given by the Commission in the annex to its report on the follow-up to 2005 discharge procedure, as follows: 'the Commission will not be taking the recommended action given the different governmental structure and management structures for EU funds under shared management of the 27 Member States, the development of a single standard declaration would not yield significant benefits. The Commission will however continue to support such initiatives taken by national administrations'; considers this response highly unsatisfactory, taking into account the fact that more than 80 % of the general budget of the European Union falls under what is called 'shared management', and even more so in light of the current situation with respect to Structural Funds, as described by the ECA in its Annual Report;

43. Strongly supports the initiative taken by some Member States (Denmark, the Netherlands, Sweden and the UK) to adopt a national declaration on the management of Community funding, and expresses concern at the fact that, despite these initiatives, most other Member States are resisting its introduction; urges the Commission to present the advantages in terms of control relations between it and those Member States that have taken that initiative; requests the Commission to report on a regular basis to its Committee on Budgetary Control on progress made in this respect;

44. Notes the first annual summaries sent by most Member States, and asks the Commission to bring infringement proceedings against those Member States which have not fulfilled their obligations; points out that it considers these annual summaries to be a first step towards national management declarations; asks the Commission to draw up, before the first reading of the 2009 budget, a document analysing the strengths and weaknesses of each Member State's national system for the administration and control of Community funds and the results of the audits carried out, and to forward that document to Parliament and the Council; invites the Commission also to report on the quality of the annual summaries and to ensure that value is added to the process by such means as the identification of common problems, possible solutions and best practices;

45. Notes, however, the ECA's critical statement concerning national audit work to the effect that 'the external auditor wishing to rely on, or use, the opinion or work of others must obtain direct evidence of the sound basis of that work'; finds therefore the work of the Contact Committee Working Group responsible for developing common auditing standards and comparable audit criteria tailored for the EU essential, and calls for the Commission to encourage all Member States to participate in it;

**Governance**

46. Reminds the Commission of its previous criticism of the solidity of the basis on which the Commission claims to discharge its political responsibility by means of its synthesis report, whereas the Commission lacks full insight into 80 % of funds under shared management and the quality of annual activity reports varies; points out that the source of this lack of insight is two-fold: on the one hand insufficient monitoring and supervision by the Commission, and on the other an absence of concrete solutions and accountability at Member State level;
47. Regrets the Commission’s tacit acceptance of the collective irresponsibility of the majority of Member States concerning financial management in the European Union; welcomes and supports the initiatives taken by some Member States in this respect, and calls on the other Member States to follow suit;

48. Notes that the budget is implemented by the Commission and the Members thereof, and not by the Directors-General, who are authorising officers by delegation, and therefore regrets the fact that the increased responsibility of Directors-General has not been accompanied by the taking of direct (and not only political) responsibility by Members of the Commission; invites the Commission to present proposals to remedy this situation, which is in contravention of Article 274 of the Treaty;

49. Welcomes the ECA’s solid analysis of the internal control system in the Commission (chapter 2 of its Annual Report); encourages the ECA to continue this positive development by including an analysis of the actions and inactions of individual Members of the Commission in relation to this situation;

50. Recalls that governance is about the position of staff working in accounting and control functions vis-à-vis their management, their empowerment to enforce action, their skills and their training;

51. Requests the Director-General of Directorate-General Budget to give a formal opinion on the quality and efficiency of the internal control system;

52. Requests the Secretary-General to give a formal statement of assurance as regards the quality of the individual declarations from the Directors-General;

53. Requests the internal auditor of the Commission to assess the Secretary-General’s statement of assurance in the form of an audit opinion;

54. Recalls the importance of functional reporting lines — open communication between the same groups of professional specialist staff in different Directorates-General, such as, for example, IT staff, internal control staff, internal audit staff and accountants — in a silo organisation such as the Commission; regrets the very limited efforts to introduce this type of governance instrument; invites the Commission to ensure the introduction of compulsory functional reporting lines as soon as possible and to report to its Committee on Budgetary Control thereon no later than September 2008;

55. Invites the Commission to upgrade the accounting officer to the same grade as the accounting officer’s operational counterparts;

56. Invites further the Commission to change the composition of the Audit Progress Committee so that the number of external members is the same as the number of the Members of the Commission; invites also the Commission to nominate one of the external members of the Audit Progress Committee as its chairman;

57. Expects the Commission to issue a Commission-wide annual institutional statement of assurance which the President of the Commission will present to Parliament’s Committee on Budgetary Control;

The Commission’s internal control system

The action plan towards an integrated internal control framework

58. Welcomes the overall progress made in the development of the Commission’s internal control system;
59. Disagrees with the statement made by the Commission in its abovementioned progress report of 2008 on the action plan towards an integrated internal control framework that Actions 1, 3, 3N, 5, 8 and 13 are completed; points out that so far it has been unaware of supporting documents or statements justifying such a declaration; is forced therefore to seriously question whether these measures have been put in place, let alone whether they have been implemented or have had an impact on the progress of the implementation of that action plan;

60. Welcomes however the half-yearly scoreboards on the implementation of that action plan;

61. Highlights that in relation to the implementation of Actions 1, 3, 3N, 5, 10, 10N, 11, 11N, 13 and 15, the Commission is also dependant on cooperation with the Member States; emphasises that it fully supports these actions, and urges therefore the Commission to use every available tool at its disposal to implement them as soon as possible;

62. Expects the relevant scoreboard to reach Parliament by 1 January 2009 for use in the discharge procedure in respect of the financial year 2007;

Analysis of the existing balance between operational expenditure and the cost of the control system for EU funds

63. Deeply regrets the fact that so far it has not received any information about the cost-benefit analysis of the control system for EU funds, as it had requested in the resolution accompanying the decision on discharge in respect of the financial year 2003;

Synthesis Report

64. Finds it unacceptable that the Commission reduces the ECA’s audit results, which are based on widely accepted international audit standards, to ‘differences of opinion on the typology and impact of error and on the evaluation of systems deficiencies, and partly the different perceptions regarding the operation of financial correction mechanisms’ (page 2, last paragraph);

65. Is of the opinion that all reservations concerning a lack of assurance as to the legality and regularity of Community spending should be reflected in the annual activity reports, as well as in the Synthesis Report; finds it therefore highly surprising that three Directors-General decided only in 2006 to insert a reservation concerning the management and control of Interreg, which, as noted by them, had already existed for some years (page 4, last paragraph);

66. Is concerned about the statements of the Internal Auditor in his first Overview Report which indicate that, despite some progress, half of the critical and very important recommendations have not been implemented before the target dates set (page 8, before the last paragraph); asks the Commission to put more emphasis on implementation of these recommendations;

Political responsibility and administrative responsibility at the Commission

Annual activity reports

67. Notes with regret that according to the ECA: ‘(...) in significant parts of the EU budget, the Directors-General give a more positive account on the legality and regularity of the EU spending than is consistent with the ECA’s audit’ (point 2.13 of the Annual Report);

68. Regrets the fact that in its Annual Report the ECA emphasised once again that some of the annual activity reports still do not include sufficient evidence for its statement of assurance (points 2.14 to 2.18 of the Annual Report);
69. Welcomes the fact that the Synthesis Report stresses that ‘in all instances where there is a difference between the European Court of Auditors’ opinion and that of the Director-General, the latter will have to explain it in his/her next year’s annual activity report’ (point 2), and hopes that improvements will be visible in the 2007 annual activity reports and onwards;

70. Asks the Commission to improve the annual activity reports through the establishment of common criteria for the making of reservations and their stronger formalisation so as to allow greater comparability between the annual activity reports of different Directorate-Generals and over time; asks the Commission to take account of the observations made by the ECA on the annual activity reports and to make improvements in close consultation with it;

Transparency and ethics

71. Welcomes the publication of the Follow-up to the Green Paper on ETI (COM(2007) 127), in which the Commission states, in accordance with Article 30(3) of the Financial Regulation, that information on beneficiaries of EU funds will be publicly available as of 2008 (section 2.3.2) and declares that it will ‘in spring 2008’ launch a register for interest representatives (lobbyists);

72. Is aware of the arguments in favour of both voluntary and compulsory registration of lobbyists; notes the Commission’s decision to start with a voluntary register and to evaluate the system after one year; is aware of the legal base for a mandatory register provided by the Treaty of Lisbon; recalls that Parliament’s current register is already mandatory and that a possible common register would be de facto mandatory, since registering is, in both cases, a prerequisite for gaining access to Parliament;

73. Recalls the need for a new code of conduct for Members of the Commission so as to improve and define more clearly their individual and collective political responsibility and accountability for their decisions and for the implementation of their policies by their services;

74. Insists on the Commission’s responsibility for ensuring the completeness, searchability and comparability of data provided on the beneficiaries of EU funding, and recalls the Commission’s written answer to Parliament in which the intention to finalise and reach agreement with Member States before April 2008 on common standards for such data is set out;

75. Recalls its observation at paragraph 85 of the resolution accompanying the discharge decision in respect of the financial year 2005 to request easy access to information on who is represented in the various forms of expert groups and what their tasks are, and its observation at paragraph 86 to call on the Commission to publish the names of the people who take part in these groups, and the names of the special advisers which the individual Members of the Commission, Directors-General or cabinets engage; asks that the names of all experts and counsellors in the Commission’s working groups be made public;

76. Recalls the answers given by the Member of the Commission responsible for the discharge at the hearing of the Committee on Budgetary Control of 21 January 2008 to the effect that the register of expert groups will contain all such groups, including information on members of comitology committees, individual experts, joint entities and social dialogue committees;

77. Also recalls the request made at paragraph 76 of its resolution accompanying the discharge decision in respect of the financial year 2005 ‘to ensure that the Commissioners’ binding code of conduct incorporates the necessary ethical rules and the principal guidelines to be observed by Members of the Commission in the conduct of their office, in particular when appointing colleagues, especially to their ‘cabinets’;
78. Regrets the answer given by the Commission in the annex to its abovementioned report on the follow-up to the 2005 discharge procedure (page 18) to the effect that these rules do not yet exist, and urges the Commission to adopt them;

79. Recalls the importance of complete transparency and publicity with regard to staff of cabinets of Members of the Commission not recruited in accordance with the Staff Regulations;

SECTORAL ISSUES

Revenue

80. Welcomes the fact that the ECA considered that in all material respects the systems for customs supervision were satisfactory, that the accounts regarding traditional own resources were reliable and that the underlying transactions were legal and regular, even if some weaknesses persisted;

81. Welcomes also the fact that the ECA found the VAT and GNI resources to be correctly calculated, collected and entered in the Community accounts by the Commission;

82. Notes with satisfaction, regarding the VAT resource, that the Commission maintained the frequency and quality of its inspections; is concerned, however, at the number of outstanding reservations, and therefore calls on the Commission, in cooperation with the Member States, to continue its efforts to ensure that reservations are lifted within reasonable time-frames;

83. Asks the Commission to communicate to it what action it intends to take in the case of Member States with continued reservations;

The common agricultural policy

84. Welcomes the general improvement in CAP expenditure in 2006 and the ECA’s statement that the IACS, which is the main control tool for area aid, animal premiums and the single area payment scheme, is an effective system in limiting the risk of irregular expenditure, if properly applied;

85. Appreciates the efforts of the Commission to broaden the application of the IACS and expects the Commission to ensure, in accordance with the plans and answers presented to Parliament, that the percentage of agricultural expenditure covered by the IACS will be at least 89% by 2010 and 91,3% by 2013;

86. Regrets the ECA’s finding that CAP expenditure was still materially affected by errors and the fact that controls and checks implemented under the IACS are still not effectively enforced or are not yet completely reliable in some Member States, and thus urges the Commission to double-check with the Member States that the IACS is fully implemented in all EU-15 Member States and that the weaknesses found in the EU-10 Member States are remedied;

87. Regrets the fact that the ECA once again detected problems in the implementation of the IACS in Greece; fully supports the Commission’s intention (as stated to its Committee on Budgetary Control) to ensure that current legislation on the suspension of payments is strictly enforced if the Greek Government does not remedy the existing problems within the time limits set;

88. Regrets the fact that in rural development, agri-environmental measures are prone to a high incidence of errors because farmers do not meet the often complex eligibility conditions; considers that the Commission should give due consideration to the pertinence of eligibility conditions for such measures and study the possibility of simplifying those conditions;
89. Notes the Commission’s reference to the possible need to apply a different level of tolerable risk to the agro-environmental area in order to strike the right balance between improving and protecting the environment and the costs of controlling the measures applied; insists, however, on the correct application and sufficient control of Community spending, and invites the Commission to thoroughly investigate and assess the possible costs and benefits in the area of agro-environmental measures, as well as the connection to other areas of spending, and to present this analysis to the Council, Parliament and the ECA as a minimum basis for discussing the need for reform, as indicated by the Commission;

90. Notes that, since the new financial clearance procedure provides for irregularities which Member States consider to be irrecoverable, and amounts are charged to the Community on the basis of information from the Member States, the Commission must now carry out a detailed follow-up to ensure that the debts are correct and properly charged to the Community budget;

91. Recalls also that the cost of financial corrections is borne by the Member States, usually by the taxpayer, rather than by the beneficiaries of the aid irregularly paid;

92. Notes that, according to the ECA, when auditing the single payment scheme (for the first time in 2006), the Commission did not specify the scope and depth of the work of the certifying bodies, and some certifying bodies (in Italy for example) excluded verification of entitlements, only mentioning it in their certificates, and the Commission accepted this without comment;

93. Regrets that the level of irregular payments financed by the CAP is not yet known or estimated by the Commission in a way considered appropriate by the ECA; notes that the ECA found that corrections for irregular payments with an estimated maximum amount of EUR 100 million could not be made, as they were discovered after the two-year time limit; invites the Commission to allocate adequate resources for conformity audits in order to execute corrections for irregular payments within the time limit;

94. Considers that all the weaknesses referred to by the ECA in its Annual Report should be resolved by the Commission in order to ensure a higher level of assurance concerning the work of the certification bodies;

95. Takes note of the conclusions set out at points 5.20 and 5.21 of the ECA’s Annual Report, and urges the Commission to improve checks in the UK, which did not comply with Community legislation when allocating entitlements and paying Single Payment Scheme (SPS) and rural development aid to landlords for land let to and farmed by lessee farmers, and in those Member States (Austria, Ireland and the UK) which failed to correctly apply certain key elements of the SPS and extended consolidation of entitlements beyond the provisions of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (1);

96. Takes note of the very clear affirmation of the Commission, both in answer to the ECA (point 5.27 of the Annual Report) and its Committee on Budgetary Control, that no beneficiary is eligible for agricultural support unless that person exercises an agricultural activity; expects the Commission to follow up on the cases identified by the ECA, and to make sure that no payments will be made, and will be recovered where they have been made, to landowners who do not exercise an agricultural activity;

97. Invites the Commission, in light of the statement by the ECA that more than 700 new beneficiaries belong to categories such as golf clubs, cricket clubs, leisure parks/zoos, horse riding establishments, railway companies and city councils, to provide an overview and an assessment of the development of allocation of agricultural support to such beneficiaries, who are eligible for funding under the current rules;

98. Reminds the Member States of the existing possibility to influence and decide in a national context to further narrow the activities and beneficiaries eligible for funding; invites the Commission, if appropriate in light of developments and according to its assessment of the intended use of support measures, to present a proposal for amendment or revision of the rules.

**Structural measures, employment and social affairs**

99. Recalls that in 2006 Community funding of Structural Policies totalled EUR 32.4 billion; points out that for 2007 this amount rose to EUR 46.4 billion, not including co-financing by Member States.

100. Notes with great concern that in its Annual Report, the ECA indicated that reimbursement of expenditure to Structural Policies projects is subject to material error, that the proportion of reimbursements in the sample affected by error was 44 % and that ‘at least 12 % of the total amount reimbursed in structural policies should not have been reimbursed’.

101. Notes with deep concern the ECA’s observations that:

   (a) only 31 % of projects in its audit sample were correctly reimbursed and were not affected by compliance errors;

   (b) the control systems in the Member States are generally ineffective or only moderately effective;

   (c) just over half of the Commission’s audits examined by it appear to have had all the qualities of an effective supervisory instrument;

regrets the ECA’s conclusion that it is reasonably confident that at least 12 % of the total amount reimbursed to Structural Policies projects should not have been reimbursed.

102. Considers it unacceptable that, according to the ECA, first-level control systems in Member States are generally ineffective or only moderately effective, and that a number of national and regional authorities do not manage EU funds with sufficient attention; notes that of the ECA’s audit sample (19 first-level control systems), none of the systems was effective, only six moderately effective and 13 ineffective, and thus no progress has been made in the field of Structural Funds compared to 2005; is very concerned by the inability of the Council to clearly recognise its responsibility for this situation, which is the result largely of inadequate controls by Member States.

103. Urges therefore Commission to make use of ex-ante checks to verify whether supervisory and control systems for the period 2007 to 2013 are in place in all Member States, and to regularly follow up on those checks.

104. Regrets also the fact that, according to the ECA, the Commission maintains only moderately effective supervision of control systems in the Member States, failing to prevent reimbursement of overstated or ineligible expenditure.

105. Notes with regret that, as pointed out by the ECA, in relation to expenditure under Structural Policies (such as the CAP and internal policies), complicated or unclear eligibility criteria or complex legal requirements have a negative impact on the legality and regularity of the underlying transactions;
106. Finds it unacceptable that, according to Commission (1), little progress is to be expected concerning simplification of the existing regulations governing the Structural Funds for the period 2007 to 2013, and that further simplification will only be proposed in the next legislative round;

107. Urges the Commission to follow up on the recommendation of the ECA (point 6.45 of the Annual Report) concerning the Cohesion Fund, and to present further simplification proposals as soon as possible for, inter alia, clear and straightforward rules, guidelines and eligibility criteria;

108. Considers and fully agrees with the ECA that the Member States' authorities have a very important role in the effective implementation of Structural Funds, and that the Commission should reinforce their audits and make additional efforts to supervise the Managing Authorities in the Member States;

109. Regrets the lack of incentives for Member States to effectively control expenditure, since any ineligible expenditure identified by the Commission or the ECA can be substituted for eligible expenditure by a Member State; asks the Commission to make sure that in the future only irregularities identified by Member States themselves can be substituted for other expenditure without any loss of funding for the Member State concerned;

110. Welcomes the Commission's abovementioned action plan to strengthen the Commission's supervisory role under shared management of structural actions, which contains 37 measures aimed at reducing irregular payments made by Member States; welcomes also the Commission's commitment, announced publicly at the hearing before the Committee on Budgetary Control of 25 February 2008, to report quarterly to Parliament on the progress of this action plan; expects the Commission to improve the reporting scheme in cooperation with the ECA; calls on the Commission, while assuming its Treaty responsibility for the implementation of the budget and respecting the principles of sound financial management, to take, in cooperation with the Member States, the following measures concerning the shared management of Structural Funds:

(a) to make a formal commitment to fully implement the action plan and to agree in particular to:

— quarterly reporting on progress, measured where possible in quantitative rather than qualitative terms, in a form acceptable to the ECA, in particular submitting progress reports by 31 October 2008 and 31 January 2009,

— provide complete and accurate quarterly reporting on corrections and recoveries made by it, in particular submitting progress reports thereon by 31 October 2008 and 31 January 2009,

— obtain information from Member States on the corrections they have made by means of the withdrawal of projects or the recovery of errors and in particular by submitting progress reports by 31 October 2008 and 31 January 2009 on its verification of the completeness and accuracy of these corrections;

(b) to take further measures to prevent errors in the future, in particular by improving first-level checks;

111. Asks the Commission to present to it a scoreboard with a final date for the implementation of this action plan, including also a common scheme of quantitative indicators and intermediate deadlines for its implementation;

(1) Commission statement under Action 1 in its abovementioned progress report of 2008 on the action plan towards an integrated internal control framework.
112. Is of the opinion that the Commission should focus on the reliability of national monitoring and reporting systems, on guidance to Member States and on coordination of audit standards, and should always give a breakdown per Member State;

113. Expects the Commission to initiate infringement procedures against those Member States which have not complied with their obligations under the regulations on Structural Funds, the Financial Regulation and its implementing rules and the IIA, in particular those Member States which do not present reports on recoveries and financial corrections, those which do not present annual summaries in conformity with the guidelines and those the quality of the annual summaries of which is inadequate;

114. Stresses the importance of Commission guidelines for the effective fulfilment of the IIA; is of the opinion that these guidelines should, as a first step, at least require what is already required by the sectoral regulation in agriculture (i.e. a declaration of assurance signed by the head of the Managing Authority and accompanied by a certification report);

115. Insists that the Commission should bring suspension proceedings against Member States whose first-level control systems are inadequate, and that it should speed up the sanctions system and present to Parliament a concrete plan for the timing and sanctions to be applied in case of identification of irregularities;

116. Insists on auditable reporting on corrections and recoveries by the Commission (withdrawals, recoveries by Member States, recoveries by the Commission, net corrections, suspension of payments) in relation to all unduly made payments in connection with all funds, with precise definitions of the different categories of financial correction, and insists further that the underlying evidence should be fully accessible to the ECA; expects the Commission to establish a clear link between the recovery and the year in which the irregularity happened, and to develop these reporting schemes in cooperation with the ECA;

117. Notes the Commission's statement that none of the amounts unduly paid in 2006 will be lost due to the effectiveness of the ex-post controls; expects it to provide Parliament with objective, clear and full information concerning its capacity to recover unduly paid amounts, the underlying proof of which should be presented to Parliament;

118. Recalls Action 11N (1), the deadline for the implementation of which was 31 December 2007, and calls on the Commission to implement it as soon as possible;

119. Is worried by the Commission's statement in its abovementioned progress report of 2008 to the effect that only recoveries launched in 2008 will be recorded in the central financial and accounting system; urges therefore the Commission to record information on the control authority and the type of error in the central financial and accounting system, and to retroactively encode all recoveries for the periods 1994 to 1999 and 2000 to 2006;

120. Asks the Commission in this light to give an assessment of the efficiency and effectiveness of multiannual recovery systems and to report on this in the 2008 or 2009 accounts;

121. Expects the Commission to present to it an evaluation of the quality of all the annual summaries received for agriculture, Structural Policies and fisheries; this evaluation should entail a breakdown per Member State and per policy area and should give an opinion on the overall assurance and overall analysis that can be drawn from the summaries;

(1) Action 11N reads as follows: 'To determine whether recovery and offsetting systems are working effectively, by identifying amounts recovered in 2005 and 2006 and their coherence with errors identified during controls the Commission will, in direct management, develop a typology of errors and the relationship with recoveries, financial corrections and adjustments to payments and for share management it will examine the reliability of national monitoring and reporting systems.'
122. Regrets the variety of information given by the Commission on financial corrections and recoveries and expects the information provided for the discharge to use exactly the same definitions of financial corrections as in the abovementioned quarterly reports;

123. Asks the Commission to report during the mid-term review on the results of Contract of Confidence arrangements, including the fundamental question of whether these contracts have added value;

124. Expects the Commission to report to it annually on Member States’ fulfilment of or non-compliance with their obligations under the Structural Funds regulation and the IIA; welcomes the fact that the Commission has obtained the national summaries of sectoral audits required under the revised IIA and the revised Financial Regulation; deplors, however, the fact that not all Member States have fulfilled this requirement; urges the Commission to bring infringement proceedings against those Member States which have not delivered the national summaries of sectoral audits;

125. For the discharge in respect of the financial year 2007, requests the Commission to present both cash and accrual based figures, a clear indication of whether the figures are annual or multiannual, a clear explanation of the nature of financial corrections (flat-rate corrections, in the case of system weaknesses, or recoveries at the level of the final beneficiary), and improvements in the ABAC system, and expects the information provided for the discharge to use exactly the same definitions of financial corrections as in the other reports on financial corrections published over the year;

126. Calls on the Commission to inform it, upon the closure of the last of the projects involved in the 2006 budgetary exercise, of the total sums recovered and, if necessary, of any losses and the reasons therefor;

127. Notes with concern the substantial decline in the volume of payments in some of the EU-15 Member States, which led to a sharp increase in outstanding commitments;

128. Reminds the Commission that the quality of audit systems has a considerable influence on project evaluation, and thus strict regulation of the quality of financial control procedures will be particularly important in the future;

129. Expresses its serious concern at the fact that, as in 2005, outstanding budgetary commitments have continued to rise and that this, combined with the replacement of the $n + 2$ rule by $n + 3$, a change which some Member States are due to implement for the period 2007 to 2013, might worsen the present situation, with the result that funds will take longer to reach their ultimate recipients, and compliance with annuality and programme deadlines will be more and more rare;

130. Endorses the view of the ECA that the Member States’ control systems need to be made more effective early on so as to enable errors to be forestalled when projects are in their initial stages, and is of the opinion that national officials involved in project assessment and analysis should be given full training in order to ensure that they act with the necessary speed in the use of Structural Funds;

131. Notes the Commission’s recommendation to the Member States that they should make use from now on of the simplifications provided for in the new rules governing the Structural Funds for the period 2007 to 2013 (1), for instance by using flat-rate amounts for indirect costs under the European Social Fund, which should, however, be kept to a minimum and expressed as comprehensively as possible, and considers this recommendation to be of paramount importance;

132. Considers it vital to gauge structural policy trends in the light of meaningful indicators and targets, which should lend themselves to comparison and, as far as possible, aggregation in the short term, thus serving to avoid what would inevitably be rough and hazy assessments that would not leave sufficient time to make corrections;

Internal policies

133. Notes with concern that, in general in relation to internal policies, once again the ECA's audit revealed two important weaknesses, on the one hand 'a material level of error in payments to beneficiaries' and on the other 'in the Commission's supervisory and control systems', which 'do not sufficiently mitigate the inherent risk of the reimbursement of overstated costs' (Annual Report, conclusions, point 7.30);

134. Notes that, moreover, as in previous years, the ECA also pointed out persistent delays by the Commission in making payments to beneficiaries;

135. Deeply regrets the critical assessment of the ECA in this area, which is under the Commission's direct financial management, and urges the Commission to do its utmost to take the necessary action in order to avoid the same number of weaknesses next year;

136. Considers that the simplification of the calculation rules for claimed costs is a necessary step in improving the situation, and invites the Commission to continue its efforts to have in place the most easily applicable rules for beneficiaries;

137. Emphasises that the Commission must comply with the provisions of the Financial Regulation regarding deadlines for expenditure operations, and asks it to take serious measures in order to avoid the current delays in payments, which are persistent;

138. Welcomes the possibility of declaring indirect costs for grant purposes on a flat-rate basis, as provided for in Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund (1);

139. Calls on the Member States, in collaboration with the Commission, to improve the supervisory and control systems that they bring to bear on cost claims made by recipients of financial contributions;

140. Endorses the view of the ECA that the financial management of internal policies needs to be improved and efforts set in motion to simplify the rules applying to programmes by employing lump-sum financing and switching to a results-based financing system;

141. Points out that the European Year of Workers' Mobility, celebrated in 2006, notwithstanding its modest budget served to reveal some of the obstacles to free movement, but has not yet led to any real change;

142. Applauds the investment in the new EURES platform, launched in 2006, which has already proved its added value for genuine mobility and free movement in the European labour market; notes that, despite that investment, many language barriers have been encountered, the implication being that a linguistic approach similar to that applied to students in European mobility programmes might be the right choice;

Transport and tourism

143. Notes that in the 2006 budget, as finally adopted and amended in the course of the year, a total of EUR 963.8 million was included for transport policies in commitment appropriations and EUR 891.4 million was available in payment appropriations; notes further that of these amounts:

— EUR 699.8 million was available in commitment appropriations and EUR 684 million in payment appropriations for Trans-European Networks for Transport (TEN-T) projects,

— EUR 18,1 million was available in commitments and EUR 19,1 million in payments for transport safety,

— EUR 36 million was available in commitments and EUR 11,7 million in payments for the Marco Polo programme,

— EUR 5,5 million was available in commitments and payments for the pilot project on road freight transport safety, and payment appropriations have been reduced to EUR 0,15 million via the global transfer;

144. Welcomes the continuing high rates of utilisation of both commitment and payment appropriations for TEN-T projects, both reaching almost 100 %, and calls on Member States to ensure that adequate funding is made available from national budgets to match this Community commitment;

145. Notes with concern the low rate of utilisation of commitment appropriations for transport safety (34 %), for which via a carry-over a large part of the sum initially available in 2006 was committed in 2007, and the low rate of utilisation of payment appropriations for the Marco Polo Programme (44,8 %), and is particularly concerned by the very low rate of utilisation of payment appropriations for the pilot project on safety in the TEN-T road sector (29,6 %), in part due to the late signature of contracts and consequent late start of the project; therefore calls on the Commission to launch in future the call for proposals and tenders as early as possible, so as to make full use of commitment and payment appropriations;

146. Calls on the Commission and the budgetary authority to ensure that when the budget for pilot projects is adopted, the right balance between the amounts available for commitment and payment appropriations is found, and that that balance reflects the fact that the time needed to bring projects to payment stage is usually longer than one budget year;

147. Notes with satisfaction that the ECA’s analysis of the implementation of internal control standards on the regularity and legality of underlying financial transactions shows that those carried out by the Directorate-General for Energy and Transport comply with requirements in the areas of risk analysis and management, management information, reporting improprieties and supervision; nevertheless calls on the Directorate-General for Energy and Transport to use analysis of types and rates of errors to develop a risk-based control strategy in its ex-ante review of cost statements received from beneficiaries;

Internal market and consumer protection

148. Welcomes the absence of critical observations on internal market policy, customs policy and consumer protection policy in the ECA’s Annual Report;

149. Believes that the execution rate of 85 % of budget line 12 02 01 in the area of internal market policy requires improvement, in light with the statement of the Commission that this consists in an increase of commitment appropriations of EUR 1,05 million added by the budgetary authority during the budgetary procedure which was not foreseen in the budgetary planning; acknowledges, however, the efforts to improve budgetary planning indicated by an execution rate of almost 100 % in 2007;

150. Believes that the execution rate of 48 % of budget line 14 02 01 in the area of customs policy is very low, which is, according to the Commission, the result of a policy change in the tendering procedure moving away from the award of separate contracts towards implementing long-term framework contracts; appreciates therefore the increase in the execution rate to 83 % in 2007, which already shows the positive results of this policy change, notwithstanding the need for further improvement;

151. Welcomes the execution rate of 96 % of budget line 17 02 01 in the area of consumer protection policy;
Civil liberties, justice and home affairs

152. Welcomes the fact that progress has been achieved in the level of implementation of budget payments for the area of freedom, security and justice (86.3% in comparison to 79.8% in 2005); calls on the Directorate-General for Justice, Freedom and Security to continue its efforts in this regard, but deplores the relatively low level of implementation of commitments (94.5% in comparison to 97.7% in 2005); calls on the Directorate-General for Justice, Freedom and Security to try to maximise the level of implementation of commitments and payments in 2007, despite the delays in the legislative procedures for the creation of funds;

153. Takes note of the remarks made by the ECA in its Special Report No 3/2007 concerning the management of the European Refugee Fund from 2000 to 2004; calls on the Commission to take these remarks into account, in particular as regards the implementation of the European Refugee Fund (ERF III) and the other funds created in 2007;

Women’s rights and gender equality

154. Reminds the Commission that, under Article 3(2) of the EC Treaty, the promotion of gender equality is a fundamental objective of the Community and should be respected in all Community activities; stresses further that the Commission must ensure that gender equality is taken into account in the implementation of the budget and that actions should be evaluated from the perspective of the difference of their impact on men and women;

155. Observes with regret that the practice of gender budgeting has still not been implemented; therefore reiterates its demand for gender mainstreaming to become a reality in budgetary planning and the financing of Community programmes;

156. Notes the continuously low payment utilisation rates of the Daphne programme and urges the Commission to take the necessary steps in order to improve the situation and avoid expenditure being decommitted;

157. Considers that greater attention should be paid to promoting women’s participation in the knowledge society and labour market and, consequently, to the high-quality training and employment of women in the field of information and communication technologies;

Research and development

158. Welcomes the swift and clear steps undertaken by the Research family after the discharge concerning the financial year 2005 in order to remedy the shortcomings noted; is aware that the results will be first visible in year n + 2;

159. Welcomes the improvements in the Commission’s control strategy and the increased number of ex-post financial audits carried out in the context of the Sixth Framework programme in 2006;

160. Notes, however, that the ECA, as in previous years, indicated material errors in this policy area, and invites the Commission to continue its work in order next year to achieve a real decrease in the level of errors;

Environment, public health and food safety

161. Considers the overall implementation rates of the budgetary headings for environment, public health and food safety satisfactory;
162. Emphasises, in particular, that the implementation of the LIFE III programme, which represents 58% of the operational budget for the policy area 'Environment', achieved an implementation rate of over 98.7% in commitment appropriations;

163. Points out, however, that the execution of certain commitment appropriations, such as certain strands of Community action in the fields of civil protection and marine pollution, appears to be problematic, mainly due to the poor quality of proposals and bids submitted and to certain restrictions imposed by the legal basis, such as a limited maximum Community financial contribution;

164. Underlines the overall implementation rate of 85.76% of payment appropriations in the area of the environment, which represents a significant increase compared to 2005 (78.39%);

165. Notes that the payment rates for environment, health and food safety are relatively low, mainly due to difficulties in planning payment appropriation needs and partly due to the fact that a number of appropriations are non-differentiated, and that, therefore, a significant number of payments takes place one year after commitments are made; acknowledges that the Commission depends in part on a swift submission of bills for beneficiaries and contractors, and that the amounts of final payments to projects are often lower than first anticipated;

166. Calls on the Commission to continue its efforts to improve those administrative procedures which have an impact on the implementation of commitment and payment appropriations;

Culture and education

167. Notes with concern that the audit of contracts in the area of education and culture resulted in adjustment of 12.3% of ineligible costs in favour of the Commission, which leaves open the question of the eligibility of reimbursements in projects which have not been audited;

168. Notes that, concerning culture and education policy, although progress has been made since 2005 with the last series of audits contributing additional information, the instrument for auditing and supervising the national agencies did not in fact change and the Directorate-General for Education and Culture (DG EAC) had to acknowledge a number of weaknesses;

169. Regrets the fact that the ECA found delays by the Commission in making payments to beneficiaries and that DG EAC had no reliable information on these late payments;

170. Notes with concern that, according to the ECA’s Annual Report, ‘the Commission has not complied with the Financial Regulation to carry out checks on the management and control systems of the National Agencies before entrusting them with the implementation of Community actions’ (Annex, point 7.1);

171. Notes with great concern that for the e-learning programme, the average administrative cost per successful application was EUR 22 000, while the average amount per grant was only EUR 4 931; asks the Commission to explain the large difference between these two figures and to take the necessary measures to decrease it;

172. Notes that, according to the DG EAC 2006 annual activity report, the Commission is implementing several action plans (at least six) to remedy its management weaknesses, but regrets the fact that the current situation as regards the action plans is not clear; regrets the fact that concrete answers were not given during the hearing in preparation for the discharge;
173. Asks the Commission to provide its Committee on Budgetary Control with a comprehensive and up-to-date list of national agencies and the state of play of the analysis of the declarations of assurance presented by these agencies, and urges the Commission to improve the scope, quality and follow-up of the system audits of national agencies in the field of education and culture:

174. Notes the ECA’s repeated recommendation that ‘efforts should be continued to simplify the rules covering these programmes, where possible making more extensive use of lump sum financing and move to a results-based financing system’; calls therefore for greater simplification and more extensive use of flat-rate arrangements;

175. Welcomes the ECA’s recommendation to the Commission to make increased use, in line with the Financial Regulation, of lump-sum and flat-rate financing in order to facilitate the awarding of grants;

176. Notes that about 70 % of the budget in the area of education and culture is managed through national agencies; notes with concern that in 2006 in a few cases severe and systematic weaknesses in the management of funds were detected; acknowledges at the same time that the Commission is taking steps to strengthen the control framework; expects the Commission to report back on the results of measures taken before the discharge procedure in respect of the financial year 2007;

177. Shares the view that Member States should be more aware of their responsibilities as regards the functioning of national agencies; hopes that the new declarations of assurance by national authorities will improve Member States’ procedures for the control and auditing of national agencies;

178. Calls on the Commission to issue strict guidelines on the transparency of application and selection procedures for the multiannual programmes; expects it, together with the executive agencies and national agencies, to further improve communication with applicants and beneficiaries;

179. Is concerned at shortcomings in the data available regarding certain aspects of the implementation of the multiannual programmes; requests in particular full information from the Commission about the extent of late payments to beneficiaries; supports the Ombudsman’s new own-initiative inquiry in this respect; notes that 23 % of payments were late in 2007; notes that the Commission is currently revising its definition of a late payment, and looks forward to receiving more information in this regard;

180. Takes note of the increased efforts undertaken by the Commission to enhance its ability to listen to citizens’ concerns via its communication tools; encourages the Directorate-General for Communication to make better use of simplified funding mechanisms for measures targeted at civil society, along the lines foreseen by DG EAC in the Europe for Citizens programme;

**External action**

181. Urges the Commission to present its definition of a non-governmental organisation, focusing not only on legal aspects but also on the way the non-governmental financing of these organisations is ensured;

182. Recalls that funds spent on external actions in 2006 totalled EUR 5,867 billion and payments EUR 5,186 billion; notes with concern the following findings in the ECA’s Annual Report:

  — a high incidence of error in the sample tested at the level of project-implementing organisations,
— weaknesses in the supervisory and control systems designed to ensure the legality and regularity at the level of project-implementing organisations;

— that the highest risk areas were again the contracting procedures, the eligibility of expenditure at project level and the insufficiency of supporting documentation;

183. Regrets the ECA’s finding that, as concerns the annual activity report of DG AIDCO, ‘the material incidence of error and the weaknesses in the supervisory and control systems designed to ensure the legality and regularity of the transactions at the level of project implementing organisations in the area of external actions found by the ECA are not sufficiently reflected in the annual activity report and declaration of Europe Aid Cooperation Office’ (point 2.17 and Table 2.1 of the Annual Report);

184. Notes also with regret that once again in the analysis of the annual management plans of some Directorates-General there is no indication of external auditors, nor of the particular risks associated with the different types of implementing organisation (NGO, international organisation, government institution) and funding methods (grant, budgetary support, trust fund) (point 8.28 of the Annual Report);

185. Notes with concern that the ECA’s findings referred to above were the same in its 2005 Annual Report, i.e. inconsistency of external audit information submitted to headquarters, lack of systematic centralisation of this information in order to reach conclusions and insufficient follow-up; therefore asks the Commission to react to these findings urgently;

186. Regrets also that according to the ECA’s Annual Report ‘the Internal Audit Capability (IAC) does not at present provide an annual overall assessment of the state of internal control in Europe-Aid and DG ECHO (...) Despite the creation during 2006 of two additional posts in the IAC, it does not seem feasible with the present staff complement to carry out, within the three-year cycle proposed, the full audit coverage identified in the Europe-Aid Audit Needs Assessment’ (point 8.30 of the Annual Report);

187. Asks the Commission to carry out an annual overall assessment of the state of play of internal control in DG AIDCO and to evaluate whether additional posts are necessary in the IAC service;

188. Notes the situation criticised by the ECA as regards the Commission’s ex-post control activities (points 8.23 and 8.33 of the Annual Report), and calls on the Commission to regularly inform its Committee on Budgetary Control of the steps taken to remedy the situation;

189. Invites the Commission to further improve DG AIDCO’s risk assessment by making reference to the findings of auditors at project level and by making a distinction according to the different types of implementing organisation and funding method;

190. Invites DG AIDCO to improve the terms of reference of its external audits to cover all known risk areas, including the verification of compliance with the Commission’s requirements regarding contracting procedures and the eligibility of expenditure;

191. Underlines that in the period 2000 to 2006, EU contributions to the UN have increased by 700 % (from EUR 200 million in 2000 to EUR 1.4 billion in 2007); cannot understand the lack of follow-up of funds transferred to international trust funds by the Commission;

192. In this context, expresses its concern at the lack of information necessary for the discharge authority to proceed to a meaningful discharge in respect of the funds implemented under the external action heading;
193. Insists that a harmonised information system should be developed in order to provide the discharge authority in particular, and the public in general, with a fully transparent database containing a full overview of projects financed with EU funds in the world, and the final recipients of these funds; is of the opinion that, preferably, the Common Relex Information System (CRIS) database should be enabled to deliver this kind of information;

194. Recalls that, under the Financial Regulation, the Commission should have been able since May 2007 to immediately identify the final beneficiaries and implementing actors of any project financed or co-financed with EU funds;

195. Considers that the visibility, political guidance and possibility of control by the Commission of international trust funds (where the EU is a major donor) should be strengthened, without compromising the effectiveness of action in this field;

196. Invites the Commission to present to it a plan to further increase EU ownership of external actions;

197. Expresses its concern at the fact that in the two cases where it asked for the list of projects financed by EU funds, it took the Commission 2 ½ months to deliver the list of projects financed under CARDS (Community assistance for reconstruction, development and stabilisation), and 13 months to provide basic information about the projects co-financed with EU funds in Iraq; insists on the immediate rectification of this situation for all funds managed under external actions;

198. Urges the Commission to address very seriously the deficiencies regarding contracting procedures and the eligibility of expenditure, and deeply regrets the critical assessment of the ECA in this area, which is under the Commission's direct financial management;

199. Agrees with the ECA that the Commission should include information on all audits of projects in the CRIS and should better link this information to project management information; also asks the Commission's EuropeAid headquarters to review the financial information provided by delegations in order to ensure its completeness and consistency;

200. Invites the Commission to improve transparency and access to documentation relating to projects managed by UN agencies, and to continue to develop clear guidelines and procedures within FAFA, setting out the framework for managing the financial contributions made by the Commission to the UN;

201. Invites the Commission to report to it on controls undertaken under FAFA;

202. Appreciates the results of the audit of the implementation of the Phare and ISPA instruments in Bulgaria and Romania and the assistance programme for Turkey, which identified an insignificant level of error; takes note of the errors and weaknesses found in relation to the implementation of the Sapard instrument in Bulgaria and Romania; calls on the Commission to continue working with the authorities of both countries to ensure that all requirements for public tendering and sound financial management are met and that adequate assurance of the correctness, regularity and eligibility of claims for Community assistance is provided;

203. Notes the ECA's assessment that the national supervisory systems linked to the Decentralised Implementation Systems of Bulgaria, Romania and Turkey remained weak;
204. Reiterates its concern at delays in the accreditation of the Extended Decentralised Implementation System (EDIS) in Bulgaria, and urges the Commission and the Bulgarian authorities to step up their cooperation in order to ensure that adequate management and control structures, as well as administrative capacities, are put in place to allow efficient functioning of the EDIS;

205. Supports the recommendation of the ECA to the Commission that the Commission closely monitor the effective functioning of national supervisory and control systems, notably the preparation and management of tenders in Turkey, procurement under the EDIS in Bulgaria and Romania and the timely delivery of national co-financing; underlines the need to strengthen the administrative capacity of those Member States that have recently acceded and those countries which are in the course of accession;

206. Is pleased with the ECA's assessment that several remedial measures were introduced by the Commission in the follow-up to the ECA's special report on twinning from 2003; invites the Commission to motivate beneficiary governments more strongly to make use of the outputs of projects carried out in the context of their reform efforts; supports the ECA's recommendation to the Commission that the Commission reduce the level of detail of the twinning contracts in order to allow greater flexibility of project management;

207. Notes the ECA's findings as to the legality and regularity of transactions in the field of external actions and of the related supervisory and control systems; invites the Commission to undertake all necessary system improvements so as to ensure that irregularities identified at the level of project-implementing organisations in third countries are removed;

208. Invites the Commission to present to it a report on what exactly has been done to alleviate the situation of Iraqi refugees and displaced persons;

209. Emphasises its interest regarding assistance provided to Afghanistan, and invites the Commission to present to it a report on the state of play of the implementation of EU funds in Afghanistan, and to comment on the expulsion from that country of the acting EU representative on a charge of having communicated with the Afghan Taliban;

210. Expects to receive annual reports on budget implementation contracts, an annual list of projects and their location and lists of final beneficiaries; considers that its rapporteur for the discharge should have access to information declared confidential for security reasons; welcomes the Commission's commitment to renegotiate relevant agreements on trust funds with the UN in order to achieve joint reporting guidelines and disclosure of final beneficiaries; welcomes the Commission's commitment to organise annual meetings between Parliament and senior UN staff responsible for the management of multi-donor trust funds, and is of the opinion that this would provide a framework for the provision by the UN of additional information regarding EU funds;

_Humanitarian aid and development_

211. Regrets that the ECA's assessment of internal audits in DG ECHO is only 'partially satisfactory' (Annex 8.2 to the Annual Report);

212. Fully supports the ECA's conclusions concerning DG ECHO in the Annual Report as follows: DG ECHO should clarify the rules on eligibility of expenditure to prevent varying interpretations and the balance between DG ECHO's headquarters and field audits of implementing partners should be reviewed, in order to obtain a better view of the reality of project expenditure' (points 8.11 and 8.18 of the Annual Report);
213. Regrets the finding set out at point 2.1 of the annual activity report of the Directorate-General for Development (DG DEV) to the effect that ‘Ensuring the coherence of Community policies with an impact on developing countries, is a major source of risk. This risk is most relevant to respect to trade, notably Economic Partnerships Agreement (EPA) negotiations. This represents a critical dimension of development policy but the capacity in this area is concentrated in DG Trade. This risk persists in spite of the reinforcement and concentration of the responsibilities related to trade following DEV’s reorganisation in July 2006’;

214. Asks the Commission to present to its Committee on Budgetary Control its ideas on how to confront this situation and the measures to be taken in 2008 to improve the functioning of the internal control system in DG DEV with regard to the level of implementation of internal control standards;

_Euro-Mediterranean Partnership_

215. Notes with satisfaction that, according to the ECA Special Report No 5/2006 concerning the MEDA programme, ‘the Commission’s management of the MEDA programme has clearly improved since the early years and can be considered as satisfactory’;

216. Notes furthermore, as concluded by the ECA, that, as a result of devolution, Commission delegations have played an important role in the implementation of the programme by helping partner countries to deal with the procedural aspects of procurement;

217. Asks the Commission to regularly inform it of the carrying out of on-the-spot checks and inspections, identifying notable cases of suspected fraud or other financial irregularities during the last year of implementation of the MEDA programme;

218. Looks forward to an increase in the visibility of actions financed by the EU via international trust funds, in particular in the context of the sums totalling more than EUR 1 billion which have been transferred from the EU budget to UN and World Bank funds; urges the Commission to ensure that political guidance, visibility and control of the funds are improved;

219. Invites the Commission regularly to present to it specific measures to further increase EU ownership of its external actions in their geographical contexts, in accordance with the principles of efficiency, accountability and visibility;

220. Calls on the Commission to inform it efficiently and rapidly about the use of EU funds via international trust funds in Iraq; invites the Commission to update and give substance to this information, and to propose a system which enables Parliament to see in a clear and readable way what exactly has been co-financed by EU funds via international trust funds anywhere in the world;

221. Welcomes the significant increase in the implementation rate of commitment and payment appropriations for pre-accession strategy in 2006, as compared to 2005;

_Development_

222. Congratulates the Commission on its initiative to improve reporting of the progress made by development policy interventions towards achieving the Millennium Development Goals; trusts that this will make a real contribution to improving accountability in this area; looks forward to receiving details of the evaluation of the pilot phase introduced in 2007;
223. Draws attention to the benchmark, agreed by the Commission, of 20% of funding under the Development Cooperation Instrument being allocated to basic and secondary education and basic health; looks forward to receiving details of the implementation of this benchmark in 2007;

224. Welcomes the Commission’s initiative to develop a structured approach to support supreme audit institutions in countries receiving budget support; notes however that democratic accountability at the level of partner countries cannot be achieved without strengthening parliamentary budget control bodies, as required by Article 25(1)(b) of Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation (1);

225. Notes that in 2006, 91% of budget support from the Community budget was delivered in the form of sector budget support, which is better targeted than general budget support and therefore leads to lower risks; questions the Commission’s ‘dynamic interpretation’ of the eligibility criteria for budget support, which, according to the ECA, increases risk; believes that budget support should only be undertaken in countries that already meet a minimum standard of credible management of public finances;

226. Invites the Commission to improve transparency and access to documentation relating to budget support actions, particularly by establishing agreements with beneficiary countries analogous to FAFA and setting out a framework for managing the financial contributions made by the Commission to the UN;

227. Congratulates the Commission on reducing the level of reste à liquider (RAL) dating from commitments made by EuropeAid before 2001 by 39% in 2006; requests that it receive regular updates of changes in levels of normal and abnormal RAL;

228. Notes the criticisms of Commission Technical Assistance projects made by the ECA in its Special Report No 6/2007; notes further that the Commission will address these questions in its Strategy to meet EU aid effectiveness targets on Technical Cooperation and Project Implementation Units, due by June 2008; looks forward to receiving, in due course, an assessment of the results of the implementation of this strategy;

229. Welcomes the measures implemented by the Commission to promote donor coordination in the area of Technical Assistance; emphasises the importance of a coordinated approach, not only at EU level but among all donors, and looks forward to receiving details of the progress of this initiative;

Administrative expenditure

Agencies

230. Notes that in 2006, there were 24 agencies in operation (including two executive agencies), compared with 16 in 2005, covering an extensive range of functions in various locations in the EU;

231. Notes that, as in 2003, 2004 and 2005, the Internal Auditor of the Commission expressed in its annual activity report for 2006 a reservation about the audits of the regulatory agencies: ‘While the IAS received posts for the audit of regulatory agencies, the parallel increase in the number of the agencies, now 23, still does not enable the IAS to properly fulfil its obligation assigned by article 185 of the Financial Regulation. At the end of 2006, all the agencies were audited at least once over a three-year period instead of once every year as provided for by the Financial Regulation’ (point 3.b);

232. Calls for an analysis of decentralisation and its effects on Commission staff; asks the Commission to present a timetable for a review of its internal organisation in light of decentralisation;

233. Requests a peer review after three years of existence of each executive agency to assess the added value of programme implementation by executive agencies in comparison with the relevant Directorate-General;

234. Notes the finding of the ECA at point 10.29 of its Annual Report that "the disbursement of subsidies paid by the Commission from the Community budget is not based on sufficiently justified estimates of the agencies cash requirements. This, combined with the size of carry-overs, leads them to hold sizeable cash balances". The ECA recommends that the level of subsidies paid to the agencies is in line with their real cash requirements;

235. Asks the Commission to follow more closely the cash balances of the agencies and to impose more stringent obligations on them as regards the submission, in payment requests, of rigorous forecasts of real cash requirements in order to avoid unnecessary cash movements and to have better future estimates;

236. Calls for subconsolidation of agencies’ accounts;

Community buildings policy

237. Is concerned at the 2006 global structural deficit, which again reached the significant amount of EUR 5 million for maintenance and refurbishment of all buildings owned by the Commission (including the Berlaymont); welcomes the patrimonial study commissioned by the Office for Infrastructures and Logistics — Brussels (OIB) in 2007, which should provide a first reasoned estimate of the amount required and a timetable for the work necessary to ensure the best possible management of the Commission’s property investments;

238. Expects the Commission to keep its competent committees informed of the outcome of this study and of the planning forecast, with special emphasis on details of the Berlaymont building;

239. Invites the Commission to inform it of its follow-up to the ECA's Special Report No 2/2007, in particular as regards improved cooperation, including the formulation of a common property policy involving the creation of a Community instrument covering buildings and the financial and staffing arrangements relating thereto;

240. Requests the Commission to integrate the results of staff screening and of its Communication on policy for the accommodation of commission services in Brussels and Luxembourg (COM(2007) 501), to revise the space need set out therein accordingly and to report on the results of this exercise by September 2008;

241. Suggests that there should be a provision in the EU's consolidated accounts for major building maintenance work;

242. Reiterates its view that a study should be made of the feasibility of establishing a European property authority with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies;

(1) Amount of cash held by the agencies at the end of 2006 (excluding the Office for Harmonization in the Internal Market, the Community Plant Variety Office, the Translation Centre for the bodies of the European Union and the European GNSS Supervisory Authority): EUR 213 million, compared to EUR 810 million in appropriations.
CONCLUSIONS CONCERNING THE SPECIAL REPORTS ISSUED BY THE COURT OF AUDITORS

Part I: Special Report No 1/2007 concerning the implementation of the mid-term processes, Structural Funds 2000-2006

243. Notes that the European Council agreed at its meeting in Berlin in March 1999 that EUR 195 billion (EUR 219 billion in 2005 prices) should be made available from the Structural Funds (1) for the period 2000-2006, and that an additional EUR 16 billion for the years 2004-2006 should be allocated to around 200 programmes in the new Member States (2);

244. Notes that the implementation of programmes from the period 1994-1999 encountered a delay, which had as one consequence the late programming for the period 2000-2006;

245. As a consequence, is concerned that the database for the mid-term evaluation processes may not have been sufficiently large to arrive at robust conclusions;

246. Notes furthermore the findings of ECA’s special reports 7/2003 and 10/2006 on the ex-ante and ex-post evaluation of Structural Funds expenditure respectively, in which the ECA highlighted that:

— budgetary allocations were determined by maximising likely absorption of funding,

— ex-ante evaluations had little impact on the programming process,

— significant weaknesses were found in the ex-post evaluations and the Commission’s oversight of them;

247. Highlights that the Commission described the overall aim of the mid-term evaluation in its working document No 8 as follows:

— to assess whether the various forms of assistance remain the appropriate means to address the issues confronting the region or sector,

— to review whether the strategic axes, priorities and objectives are coherent, appropriate and still relevant,

— to appraise how far progress has been made towards the achievement of these objectives and the extent to which they can actually be achieved,

— to assess the quantification of objectives, specifically the extent to which they have facilitated monitoring and evaluation; to assess the extent to which horizontal priorities — equal opportunities and the environment in particular — have been integrated into the forms of assistance,

— to analyse the adequacy of the implementation and monitoring arrangements; and to present the results against the indicators agreed for the performance reserve;

(1) Structural Funds aim at financing sustainable socioeconomic and environmental development programmes in the Member States. In particular, measures and programmes should support innovation, research and development, information technology, clean and efficient use of energy, protection of environment, lifelong learning and social inclusion. The new programming period tried to achieve a greater degree of concentration, more devolved management structures, greater efficiency and tighter budgetary control (Lisbon European Council meeting — March 2000).

(2) For the period 2000-2006 approximately EUR 260 billion was spent on structural measures. Of this sum EUR 213 billion was earmarked for the old 15 Member States: structural funds programmes received EUR 195 billion and the Cohesion Fund EUR 18 billion. EUR 47 billion was set aside for the new Member States (pre-accession funds and structural measures). For the years 2004-2006, about EUR 16 billion was allocated to around 200 programmes in the new Member States.
248. Welcomes that the evaluations proved that the strategies adopted by the Member States were still appropriate and that the financial absorption had clearly improved; however, it was impossible to assess effectiveness or to measure impact of the programmes/projects, since the available set of data were often considered to be insufficient;

249. Is deeply worried that the Commission described the Member States' monitoring systems as weak; as a consequence any faulty implementation of programmes and projects was difficult to detect, *ex-post* evaluations were hampered and the protection of the Communities' financial interests was not ensured; irregularities worth EUR 600 million were detected in the area of Structural Funds in 2005 only;

250. Insists, therefore, that high priority be given in the future to the setting-up of sound monitoring systems in the Member States as a measure to prevent irregularities and possible fraud;

251. Underlines furthermore the importance of analytical evaluations arriving at operational conclusions and recommendations;

252. Regrets that it was difficult to compare the evaluation results because the Member States were not asked to follow a standardised evaluation model; calls therefore on the Commission to draw up an indicator or benchmarking system which will lead in time to more harmonised evaluation reports, thereby improving comparability and, subsequently, the analytical depth of these reports;

253. Notes that the $n + 2$ rule lead to a greater use of appropriations; points out, however, that thereby financial absorption also became an aim in itself;

254. Notes furthermore that the appropriations of the performance reserve were allocated following the perceived need to maximise absorption of EU funds, rather than concentrating spending on activities which were assessed as particularly effective; therefore infrastructure projects were the prime beneficiaries; overall, budgets were shifted away from underspending measures;

255. Regrets that, as a consequence of favouring absorption, horizontal priorities — like environment and equal opportunity — and policy priorities — like the Lisbon or Gothenburg strategies — were often not taken into consideration;

256. Regrets also that 'deadweight' (*) and substitution effects were often ignored;

257. Shares the ECA's view on '(...) tensions inherent in the planning and management of the Structural Funds (...)’ (‡) during the period 2000-2006, such as:

— tensions between effective and economic spending (value for money) and maximising absorption,

— tensions caused by the $n + 2$ rule enabling, on the one hand, well planned expenditures, and, on the other hand, facilitating easy allocation of reserves,

— and tensions between a well-intentioned mid-term evaluation and the lack of data;

(*) A ‘deadweight’ effect exists where an activity or investment would have been undertaken in the absence of financing.

‡ Point 51.
Recognises, at the same time, that the Commission undertook to address a number of weaknesses in Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (1):

— the general requirement for mid-term evaluation was replaced by need-based ongoing evaluations to assess the implementation of a programme and react to changes of the external environment,

— national performance and contingency reserves became an option, and

— the \( n + 2 \) rule will (for a limited period) become an \( n + 3 \) rule for Member States whose GDP per head from 2001 to 2003 was below 85 % of the EU-25 average;

Calls on the Commission to make clear guidelines available to the Member States at the beginning of the programming period;

Welcomes the fact that the results of the evaluation reports were taken into consideration when the new regulations governing the Structural Funds during the period 2007 to 2013 were drafted; regrets however that the findings of Parliament following the publication of ECA’s Special Report 1/2007 will only be of limited value for the current programming period;

Calls therefore on the Commission to take the necessary steps to fully involve Parliament in the modifications to the Structural Funds’ regulations it intends to introduce in the run-up to the next financing period starting in 2014;

Is of the opinion that the Structural Funds’ regulations should provide for an incremental learning process to be reflected in the legal provisions; this seems all the more important as ex-post evaluations at the end of a programming period cannot be concluded in time before a regulation covering the new financing and programming period enters into force; in addition, Parliament’s competent committees should be regularly consulted at the different stages during the financing period;

Calls on the ECA and the Commission to report back on measures taken in reaction to Parliament’s findings during the 2006 discharge procedure; in addition, calls on the Commission to present the findings of the 2000-2006 ex-post evaluations to its Committee on Budgetary Control;

Asks the ECA to analyse the efficiency, the effectiveness and the impact of measures financed by the Structural Funds in a special report at the given moment;

Part II: Special Report No 2/2007 concerning the institutions’ expenditure on buildings

Accepts that long-term planning and budgetary forecasts in the building sector are difficult because appropriations are decided on an annual basis, and because key political decisions with major implications for office space, such as enlargements, are not precisely foreseeable; in addition, implementation of decisions in the building sector requires significant lead time; suggests that there should be a provision in the Union’s consolidated accounts for major maintenance work;

Welcomes the fact that the EU institutions offer elected representatives and officials — in general — appropriate working conditions;

267. Regrets, however, that the EU institutions have never undertaken to develop a common buildings policy, which may have allowed them to make important savings; calls on the EU institutions to renew their efforts to develop a common buildings policy and to report to the competent parliamentary committee in time for 2007 discharge procedure;

268. Calls on the EU institutions to develop common criteria for calculating office space and costs, and, subsequently, to appraise both short- and long-term needs;

269. Acknowledges in this context that the EU institutions have given priority to the purchase of buildings, as acquisition is 40 to 50% cheaper than renting;

270. Notes that the ECA recommended already in 1979 that rental contracts should include an option to buy at a price which takes into account rent already paid (acquisitive emphyteusis);

271. Regrets that the ECA’s comments on the purchase of the IPE 1 — three buildings in Strasbourg draw an incomplete picture of the situation in 2006; in this context, points to the findings of its resolution of 26 September 2006 accompanying the decision on the discharge for the financial year 2004 (1) and in particular to points 19 and 20 thereof;

272. Asks the Commission why it was indispensable to rent the Mondrian building and which alternatives it had considered;

273. Acknowledges that the EU institutions prefer bringing together services operating in similar areas;

274. Recognises the tension between the practical advantages of geographical proximity when staying in the European quarter, and the financial disadvantages stemming from creating a very high and predictable demand on the local housing market;

275. Acknowledges in this context the efforts made by the Commission to reduce the percentage of its office space in the European quarter, which currently stands at 82%;

276. Calls on the EU institutions to evaluate carefully the necessity of staying in the European quarter when they rehouse parts of their services;

277. Asks its administration why the hand-over of the D4-D5 buildings was delayed and why it was not possible to take into consideration at an earlier stage public procurement legislation, complex negotiation procedures and a good neighbourhood policy;

278. Asks the EU institutions why they made, according to the ECA, such a wide use of the negotiated procedure, avoiding public tender, thereby paying a price for the construction of buildings or for works which was not determined by open competition;

279. Insists that the EU institutions should make wide-spread use of competitive tendering;

(1) OJ L 177, 6.7.2007, p. 3.
280. Underlines that in the absence of competitive tendering procedures, purchase prices for constructions and/or long-term rents should not exceed construction costs;

281. Considers that long-term leasehold contracts should indicate the purchase price, and that appropriate financial guarantees should be required from contractors in order to ensure the full performance of contracts until final acceptance (1);

282. Calls on the EU institutions to establish 'headquarter agreements' with the host countries of the EU institutions' main working places;

283. Points out that, according to Article 14 of the Financial Regulation, the Communities and the bodies set up by them may not raise loans; in this context suggests that greater use could be made of the financial services of the European Investment Bank, and of tendering procedures on the financial market to determine the interest rate;

284. Reiterates its position on the budgetisation of its buildings policy, as repeated in point 5 of its resolution of 24 April 2007 accompanying the decision on the discharge for the financial year 2005, Section I — European Parliament (2): (…) Reminds its competent bodies of its decision that ‘… repayment on buildings … should be set as part of the budgetary strategy’; criticises therefore its competent bodies for continuously failing to budget with sufficient clarity Parliament’s property policy for future acquisitions (the budget line ‘acquisition of immovable property’ only shows token entries for 2005, 2006 and 2007);

285. Asks the ECA to explain how the EU institutions could make better use of ‘differentiated appropriations’;

286. Emphasises that the EU institutions should have complete administrative, technical and financial control over their building projects; to this end they should either make use of highly qualified consultants or develop appropriate expertise within the interinstitutional framework (3);

287. Reminds the EU institutions of its demand expressed in paragraph 20 of its abovementioned resolution accompanying the discharge decision for the financial year 2004: (…) charges its administration, in consultation with the other Union institutions, to draw up a report examining whether it might be feasible to establish a European Buildings Authority charged with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies; calls for such report to be forwarded to the Committee on Budgetary Control by 1 October 2007 at the latest;


288. Reminds all actors of the fact that the European Refugee Fund (ERF) was set up with the aim of providing a framework for the preparation of a common policy on asylum, including common European arrangements for asylum as a component of the EU’s objective of progressively creating an area of freedom, security and justice which will be open to those legitimately seeking protection within it;

289. Underlines the fact that since the creation of ERF 1 a large number of directives, regulations and decisions has been adopted, some of which have been directly or indirectly promoted by the creation of the fund;

(1) Article 102 of the Financial Regulation.
290. Underlines the fact that ERF III (1) will work under different conditions from those of ERF I; therefore, it should be closely linked to the implementation of Council Directives 2001/55/EC (2) and 2004/83/EC (3);

291. Stresses that ERF III should, however, continue to contribute to the further development of an EU policy in this area, in particular the preparation of a review of the 'Dublin II convention', including a refocusing on a voluntary redeployment of asylum seekers within the EU in order to come to a burden-sharing arrangement;

292. Invites the Commission to continue its efforts to prevent different interpretations of ERF rules by Member States, and welcomes the launch of seminars on good practice disseminating experience gained in some Member States to others, in particular to new Member States still less familiar with the ERF;

293. Invites the Commission to do everything possible to speed up payments to Member States and to raise awareness among Member States of the need to disburse payments, in particular for smaller beneficiaries, in time in order not to endanger innovative projects and to allow also NGOs with a smaller budget backing to participate in ERF III;

294. Insists that national declarations of assurance should cover all areas where Member States are co-responsible for the spending of EU funds, e.g. the ERF;

295. Invites the Directorate-General for Budget to reconsider its practice of recoveries, as recovery via non-related projects is counterproductive to the functioning of specific programmes (in particular resulting in late payments of pre-financing amounts); recovery orders should be issued to the Ministry of Finance of the Member State concerned, rather than automatically recovering from any upcoming payment to that Member State;

296. Invites the Commission to use the ERF even more proactively, in order to enhance progress towards a Common Policy on Asylum;

297. Invites the Commission to continue its efforts to ensure the harmonisation of statistical data in order to avoid distortions with programmes where the sound distribution of funds depends on statistical data provided by Eurostat;

**Part IV: Special Report No 4/2007 on physical and substitution checks on export refund consignments**

298. Welcomes the publication of Special Report No 4/2007 and urges the Commission to take on board the shortcomings identified in the report, as well as to take action in line with the recommendations of the ECA;

299. Agrees with the Commission that until the last export refund is paid, ‘a fully operational control system must remain in place’; expects therefore the Commission to use its power of initiative to come up with concrete proposals in order to improve the situation;

300. Welcomes in this respect Council Regulation (EC) No 14/2008 of 17 December 2007 amending Regulation (EEC) No 386/90 on the monitoring carried out at the time of export of agricultural products receiving refunds or other amounts (4), which enables Member States which apply risk

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analysis to set the control rate to 5% per Member State instead of per customs office; regrets however the lack of a clear timeline in the Commission's replies regarding its future proposals, given the short time prior to the phasing-out of export refunds;

301. Deplores the several weaknesses reducing the effectiveness of physical checks, in particular the predictability of checks, the high number of low value and low risk exports being checked as well as the method used to check bulk shipments of goods;

302. As far as substitution checks are concerned, regrets that the checks were not detailed enough and that the interpretation of the number of checks to be made varied between Member States;

303. Welcomes the adequate coverage of key controls by the Commission when monitoring the checks; however shares the ECA's concerns that the Commission has not reacted, with legislative changes or timely financial corrections, despite the fact that it was aware of the weaknesses for some considerable time;

304. Notes and welcomes the fact that the integrity of seals is verified by the competent authorities at the Eastern borders of the EU, and encourages the other Member States to follow this example;

305. Invites the Commission to continue its efforts to modify the relevant legislation with a view of addressing, among others, the issue of 'tail-gate inspections', and to introduce the obligatory use of risk analysis for export procedures, in line with the ECA's assessment;

Part V: Special Report No 5/2007 on the Commission’s management of the CARDS programme

306. Considers that the CARDS programme has made an important contribution to the stabilisation and rapprochement policy;

307. Regrets the considerable lack of transparency in management by the Commission and its delegations, which renders an evaluation impossible; considers it unacceptable that the Commission has no overview of the projects funded under CARDS, whereas the European Agency for Reconstruction (EAR) has made available to the public the list of contracts it has signed, specifying programmes and projects;

308. Recalls the recommendations set out in its resolution of 24 April 2007 accompanying the decision on the discharge for the implementation of the budget of the EAR for the financial year 2005 (1), and in particular point 23 thereof;

309. Is very surprised to learn that, in the countries where CARDS was under the auspices of the EAR, the Agency alone is responsible for the programming of the Instrument for Pre-Accession Assistance (IPA) for 2007 and 2008 and for the preparation of tenders requiring the Commission's signature; notes that this is contrary to the EAR's mandate and that, in particular, the procedure for the preparation of tenders resembles the practice of ‘TAOs’ (Technical Assistance Offices), which were condemned by Parliament and have since been closed down;

310. Is of the opinion, in this context, that the Commission did not meet in 2006 the obligations arising from its own decision taken in 2005 on the phasing out of the EAR, which provided that the Commission delegations in the various Balkan countries should take full charge from the beginning of the IPA;

311. Requests the ECA to carry out a follow-up audit focusing on a comparison between the Commission's management of the CARDS programme and the EAR's management of this programme on behalf of the Commission, the results of which should be presented to Parliament by September 2008;

Part VI: Special Report No 7/2007 on the control, inspection and sanction systems relating to the rules on conservation of Community fisheries resources

312. Welcomes the publication of the report and congratulates the ECA for its most valuable contribution in addressing this very important issue of European policy;

313. Takes a serious view of the ECA’s criticisms and considers that they should result in far-reaching changes of policy;

314. Welcomes the Commission’s declared intention to take on board those shortcomings identified in the report, as well as to take action in line with the recommendations of the ECA; regrets however the lack of a clear timeline in the Commission’s replies as to its future proposals;

315. Welcomes the Slovenian Presidency’s initiative of calling an Extraordinary Fisheries Council at the Fisheries Control of 18 February 2008 to discuss this report;

316. Reaffirms that sound management of resources in line with the precautionary principle and the principle of sustainable development requires the strengthening of existing control mechanisms so that the flag State and the coastal State where vessels are operating can access information in real time on the vessel’s location and the fishing operations being carried out whenever they wish;

317. Calls on the Commission, at the same time, when revising Council Regulation (EEC) No 2847/93 of 12 October 1993 establishing a control system applicable to the common fisheries policy (the Control Regulation) (1), to propose measures to guarantee the quality and reliability of catch data;

318. Observes that there is a fundamental problem in addition to control mechanisms, namely regarding the levels of fishing quotas negotiated by the Member States; stresses that it is unacceptable for Member States, year after year, to set quotas at a higher level than recommended by researchers for sustainable fisheries;

319. Stresses that, in addition to control mechanisms, the system of negotiated quotas is a fundamental problem; considers it unsatisfactory that, year after year, quotas are consistently set higher than researchers recommend in order to maintain viable fish stocks;

320. Welcomes the judgment of the European Court of Justice in case C-304/02 Commission v French Republic (2), which has provided the Community with a clear confirmation of the role and obligations of Member States with regard to control and enforcement of common fisheries policy (CFP) rules;

321. Notes, however, that 21 years have elapsed between the time when the infringements were detected and the time of this decision, and that the sustainability of European fisheries cannot cope with such timelags in correcting wrongdoings;

322. Stresses the importance of action by the Commission against individual Member States where there is a suspicion that they are violating or ignoring the control, inspection or sanctions systems of the CFP;

323. Welcomes the Commission initiative to explore the possibility of including in the proposed new initiatives regarding illegal, unregulated and unreported (IUU) fishing harmonised administrative sanctions to be applied for certain specific ‘IUU-offences’;

(2) [2005] ECR I-6263.
324. Welcomes the Communication from the Commission (COM(2007) 39) launching a debate on improving fishing capacity and effort indicators under the common fisheries policy, and therefore expects the Commission to use its power of initiative to come up with concrete proposals really to improve the CFP;


326. Regrets that, even if the Commission proposed rather simple and controllable effort regimes, the system was made considerably more complicated, due to a high number of derogations introduced on request by Member States during discussions in Council and which have reduced considerably the controllability of the whole system;

327. Considers that the current legislative framework is too complex and not up to date and urges the Commission to use its power of initiative to come up with concrete proposals in order to improve the situation with the aim of simplification and harmonisation of CFP legislation;

328. Deplores the several weaknesses reducing the effectiveness of the physical checks, and the failures in the transmission data system as a whole in the Member States, as well as the lack of a European control culture in the fish sector;

329. Welcomes the Commission’s efforts to improve the situation with regard to the data on catches and on sales, and the timing of reporting, by using the new technologies; considers that the regulation concerning the electronic recording and reporting will increase the efficiency of validation systems, for example by providing for immediate electronic transmission of a copy of the sales note to the flag State and landing State authorities so that it can be cross-checked with the landing declaration;

330. Invites the Commission to increase mutual assistance and administrative cooperation between Member States’ authorities and the exchange of information between competent national officials by creating a system like that already in place for the VAT community system;

331. Considers it of great importance for control and for the whole CFP to have a system which allows the follow-up of catches from origin to final consumer, as already exists in the internal market with respect to all other food products, and urges the Commission to put in place such a system;

332. Stresses that the fishing quotas set must be respected and upheld; considers that the Commission must take strong, resolute action in the event of any suspicion of breaches of, or fraud against, the quota system;

333. Invites the Commission and the Member States to increase the competences of the Community Fisheries Control Agency and to promote the Agency’s important executive role in the control and harmonisation of the CFP and in improving transparency and coordination by the establishment of common practices under the scope of the joint deployment plans;

334. Invites the Commission to propose and the Member States to accept the increasing of the competences of the Commission’s controllers, who should have greater powers in order to create a common European control strategy in the CFP;

335. Considers, in this context, that the cost-benefit ratio existing between the resources dedicated to control activities in the CFP and the results obtained by these controls (the proportionality and cost-effectiveness of controls) should be a key element to be taken into consideration by the Commission in its future proposals concerning the CFP;

336. Notes, in this regard, that the most cost-effective mechanisms of control are those where stakeholders have a direct interest in preserving the sustainability of fisheries;

337. Invites the Member States, in the framework of effort reduction, to decide whether such reduction will be accomplished through:

(a) a reduction of fishing time, without a reduction of capacity;

(b) a reduction of capacity, without a reduction of fishing time; or

(c) a combination of the two;

and to put in place the necessary structural measures to mitigate the social impact of this reduction;

338. Invites the Commission to continue its efforts to modify the relevant legislation to address, among other things, the issue of overcapacity, and to propose measures to reduce structural overcapacity in the fishing industry;

339. Calls upon the Commission to review alternative political solutions under which the need for controls and sanctions would be reduced by increasing individual professional fishermen's responsibility for, and interest in, viable stocks;

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340. Acknowledges that the audit covered the monitoring and evaluation arrangements in place for the last three programming periods since 1995 and also an outlook for the RTD framework programme 2007 to 2013;

341. Emphasises that the framework programmes running between 1995 and 2006 were endowed with EUR 42,63 billion, making them the most important financial instrument contributing to the Lisbon Strategy; under the current financial framework, the 7th framework programme received EUR 50,52 billion;

342. Notes that the ECA addressed the question of whether the Commission's approach to assessing the results of the framework programmes was adequate, looking in particular at the intervention logic, the evaluation strategy and methodologies;

343. Welcomes that over the years the Commission has already introduced a considerable number of improvements;

344. Observes that the ECA noticed poorly defined programme objectives and a lack of explicit intervention logic; acknowledges however that programme objectives are decided by stakeholders and the co-legislators; calls therefore on the decision-makers to pay particular attention to the definition of attainable objectives; recognises that a more explicit intervention logic is embedded in the 7th RTD Framework Programme (1); underlines that objectives must be operational and measurable (‘benchmarking’) to allow for the use of performance indicators and effective monitoring;

345. Notices that the ECA criticised the absence of a comprehensive evaluation strategy; points in this context to the improvements introduced by the impact assessment and ex-ante evaluation of the 7th RTD framework programme (SEC(2005) 430);

346. Acknowledges the ECA’s criticism that the existing coordination mechanisms among directorates general implementing the RTD framework programmes were not effective; remains however, at this stage, unconvinced by the idea of creating a ‘joint evaluation office’; suggests rather that the Directorate-General for Research assume more responsibility and a coordinating role; shares the ECA’s view that external expert advice should be established at an early stage and remain in place to guarantee a consistent and coherent approach, in particular as evaluations are scheduled for 2008 (ex-post evaluation of the 6th RTD framework programme), for 2009 (factual interim report on the 7th RTD framework programme), for 2010 (mid-term evaluation of the 7th RTD framework programme) and for 2015 (ex-post evaluation of the 7th RTD framework programme);

347. Notes the ECA’s remark that inadequate methodological guidance was provided; calls therefore on the Commission to consider publishing an evaluation manual; is aware that the reporting requirements were revised under the 7th RTD framework programme with a view to creating a more robust data base for evaluation and monitoring;

348. Is of the opinion that the quality of the mid-term and ex-post evaluations will improve the clearer the terms of reference which are provided (i.e. measurable objectives, expected impact, effective monitoring, a sound data base); emphasises that evaluations will be more useful if framework programmes are adaptable (‘learning’ programmes) and conclusions drawn can be used to improve ongoing programmes;

349. Calls on the Commission to bear in mind the recommendations of the ECA when carrying out the scheduled evaluations in 2008, 2009, 2010 and 2015;

350. Calls on the ECA to follow up its audit in time for the 2010 discharge exercise and to report back to the Committee on Budgetary Control; asks the ECA to also look at the amounts spent on evaluations in relation to the value of specific programmes and at how this percentage relates to other RTD programmes in third countries (e.g. Canada).