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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the follow-up to the discharge for the 2011 financial year (Summary)

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REPORT ON THE FOLLOW-UP TO THE REQUESTS MADE BY THE EUROPEAN PARLIAMENT IN ITS DISCHARGE RESOLUTIONS AND THE COUNCIL IN ITS DISCHARGE RECOMMENDATION FOR BUDGETARY YEAR 2011

PRELIMINARY COMMENTS

This is the Commission's report to the European Parliament (EP) and the Council on the follow-up to the EP discharge resolutions[1] and the Council Recommendation[2] for the 2011 financial year, pursuant to Article 319(3) of the Treaty on the Functioning of the European Union (TFEU), Article 166 of the Financial Regulation (FR) and Article 119(5) of the European Development Funds (EDF) Financial Regulation.

It focusses on the four priority actions highlighted by the EP in its general discharge resolutions as well as on other key requests. It is accompanied by two Commission Staff Working Documents (CSWD) containing replies to 387 EP and 87 Council specific discharge requests.

The Commission agrees to start new actions on 181 requests (143 from the EP and 38 from the Council). It considers that for 252 requests (205 from the EP and 47 from the Council), the required action has already been taken or is on-going, though in some cases the results of the actions will need to be assessed. Finally, for reasons related to the existing legal and budgetary framework or its institutional role or prerogatives, the Commission cannot accept 41 requests (39 from the EP[3] and 2 from the Council[4]). A justification is provided in the two attached CSWD where the Commission was not in a position to accept the requests made by the Discharge Authority.

1. PRIORITY ACTIONS

In the general discharge resolution for 2011, the EP specifically highlights four priority **actions**[5] of institutional accountability and financial nature. These requests have been extensively discussed during the discharge procedure, in particular with the Members of the

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1 2011 General Budget Discharge, ECA' Special Reports in the context of the Commission Discharge, EDF Discharge, Agencies Discharge. Document references P7_TA(2013)0122, P7_TA(2013)0123, P7_TA(2013)0125 and P7_TA(2013)0134 respectively available at the following Web address: http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=20130417&secondRef=TOC&language=en

2 Document references 5754/13 ADD 1, 5752/13 ADD 1 and 5752/1/13 REV 1 published on: http://www.europarl.europa.eu/committees/en/cont/publications.html?id=CONT00004#menuzone

3 See §§ 5, 7, 35-36,40, 42, 51, 54, 68, 75, 81, 87, 119-120, 138, 148, 150-152, 187-188, 193-195, 201, 203, 221-222, 227, 241, 247, 249, 255, 277, 288, 292, 298, 308, 338 of the CSWD on the EP resolutions

4 See §§ 78, 80 of the CSWD on the Council Recommendation

5 Priority action 1: Communication of the Commission on the protection of the Union budget, Priority action 2: Actions relating to error rates including three specific issues concerning Agriculture, Regional Policy and Research, Priority action 3: Evaluation report –Article 318 TFEU and Priority action 4: Revenues and traditional own resources.

Budgetary Control Committee (CONT). Evidence was given of the Commission's strong commitment vis-à-vis these priority actions[6].

1.1. Communication on the protection of the EU budget

The EP requested the Commission to present a Communication on the protection of the EU budget, with a view to making public all the amounts corrected and recovered in the course of the preceding year. The Communication will be presented in September 2013 and will demonstrate that corrections and recoveries have increased considerably in the last few years. It will also include cumulative information on the corrections made for the previous programming periods. In parallel to the Communication the Commission has also inserted more details on financial corrections and recoveries in Note 6 to the 2012 consolidated accounts of the European Union.

1.2. Actions relating to error rates

Error rate in shared management

-The EP requested the Commission to harmonise the practices concerning the interruption/suspension of payments when significant deficiencies are detected at the level of the supervisory and control systems of the MS.

Interruptions and suspensions are intensively used as shown in various Commission reports[7] and it is the Commission's firm intention to continue using these tools. The Commission's actions in this regard have been further harmonized in 2012, in particular in the area of Cohesion policy where both DG REGIO and EMPL now apply an aligned approach. As regards Agriculture, Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies. However, a full harmonisation across all policy areas is not possible under the current legal framework. For the new programming period 2014-2020, the Commission's proposal for common provisions on the Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development. Moreover, the political agreement on the reform of the CAP, reached on 26 June 2013, notably Article 43 of the horizontal Regulation, would facilitate the suspension of payments in agriculture in case of serious deficiencies and allow further harmonisation of suspension activities across all policy areas.

- The Commission was requested to invite MS to communicate their draft eligibility rules in order to verify their comparability with the relevant EU rules.

The purpose of defining rules at national level in the current programming period - as agreed by the legislative authority - is to allow MS to use the same national, regional and local rules for both purely national schemes or EU funded projects, thus avoiding additional complexity and addressing the criticism that MS administrations in charge of EU programmes are not familiar with all EU rules. Therefore, the Commission continued its actions focussing on simplification and takes the necessary actions when it detects national eligibility rules that are either too complex or not compliant with EU regulations. In addition, as regards the European Social and Regional Development Funds (ESF and ERDF), progress is being made on

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6 See Commissioner Šemeta's letter (22.02.2013), available at the following address: http://www.europarl.europa.eu/document/activities/cont/201302/20130225ATT61662/20130225ATT61662EN.pdf

7 Among other things: quarterly reports on suspense accounts addressed to CONT committee, note 6 to the 2011 EU consolidated accounts, 2011 and 2012 Annual Activity Reports (AARs) of DG REGIO and EMPL

spreading the use of simplified cost options with a view to replacing in full or in part detailed and sometimes burdensome national eligibility rules, when appropriate[8].

- The EP requested the Commission to collect information from MS concerning the degree to which national rules render Union legislation on budget management unnecessarily complicated ("gold-plating") and report to the EP by October 2013.

This is relevant in particular for the ESF. Therefore, the Commission will present a report to the Discharge Authority on gold plating in ESF programmes in October 2013.

To limit as far as possible the effect of "gold-plating", the Commission proposals for 2014-2020 include a clear requirement for all MS to reduce administrative burden for the beneficiaries.

Concerning Cohesion policy, the Commission is discussing bilaterally with MS ways of improvement both in the course of implementing the 2007-2013 programmes and during the preparation for the 2014-2020 programmes.

The Commission will continue working bilaterally with MS to seek possibilities to apply more systematically simplified cost options.

The proposals for the Rural Development legal framework envisage that through a joint assessment between Managing Authorities and Paying Agencies, Member States (MS) must ensure that all the rural development measures they intend to implement are verifiable and comparable.

A general reporting to the EP requests a systematic review of eligibility rules in force at national / regional / local level. The Commission is ready to inform the Parliament on its endeavours, together with MS, to push the use of simplified cost options ahead and to reduce the occurrence of gold-plating. However, it does not have the resources to perform an EU-wide review.

- The Commission was requested to support the management and control authorities of the MS in identifying the systemic sources of errors and give guidance to those authorities in their simplification efforts.

The Commission has taken the requested action and reported in the DGs' 2012 Annual Activity Reports (AARs). It continues to make considerable efforts to ensure strict compliance with eligibility requirements and the correct application of public procurement rules, through training and guidance to programme managing authorities who should in their turn transmit this knowledge to all bodies in charge of managing the funds. Moreover, when it identifies complex rules at programme level, the Commission makes recommendations to simplify them. It has also shared with MS an analysis of the types of procurement errors detected by EU audits in cohesion policy during previous years and has launched an exercise to collect best practices and possible answers by MS to remedy such errors and reduce their occurrence. As regards rural development, a large exercise, conducted by DG AGRI already in 2012, led to a list of root causes of errors and possible corrective actions which was discussed with all MS at different levels.

For 2013, DG AGRI has started a new comprehensive initiative with all MS which concerns the following elements: Analysis, preventive actions, corrective actions. (See § DG AGRI).

[8] See Commissioner Šemeta's letter in footnote 6.

-The EP requested the Commission to apply the principle of proportionality noting that an additional step is the obligatory use of electronic project application and reporting, as well as the unification and standardisation of documents and procedures.

The use of electronic means is not always possible; thus their use will only be imposed where it does not create a barrier for certain categories of beneficiaries.

As far as the unification/standardisation of procedures and documents is concerned, this affects the internal organisation of the MS administration. The regulations provide for key designation criteria and key requirements for systems that would form the baseline for all procedures at stake.

-The Commission was requested to harmonise the criteria for making reservations in the AARs and the different methodologies used to quantify public procurement errors in the two policy areas Agriculture and Cohesion policy.

The Commission shares and supports this call for greater coherence. As a follow-up to the 2010 discharge, DG REGIO launched an exercise to update the existing quantification of public procurement errors used by the Cohesion Policy services. The aim is to prepare guidance for all shared management services and possibly other services as well. This exercise is on-going and the Commission should be in a position to adopt a decision in the second half of 2013.

In addition, in November 2012, the Commission horizontal services updated their internal guidance for the determination of error rates and the criteria on whether to qualify the declaration of assurance with a reservation in the case of errors linked to public procurement procedures in the implementation of direct expenditure. This guidance was aimed at ensuring transparency and comparability as well as at producing a realistic calculation of the actual financial exposure of the EU budget while adequately considering the possible reputational impact of serious procedural errors. This guidance was applied by the Commission DGs for the first time in their AARs for 2012. The Commission will assess the need for revising its guidance with the closure of the 2012 reporting cycle.

- The EP requested the Commission to speed up the audit and financial correction procedures and in particular consider merging the different stages of the 'contradictory' procedure leading to a financial correction.

This is already the current practice since 2012 in the Cohesion Policy area where contradictory procedures for audits and legal proceedings are merged to speed up the process, enabling the launching of the financial corrections procedure for about 100 operational programmes still in 2012. Other policy areas will follow but for the next financial period, a lot depends on the sector-related legislation as they will be adopted by the legislator.

Concerning Agriculture, fully merging the different stages of the financial correction procedure would not be possible within the legal framework of the political agreement on the reform of the CAP, reached on 26 June 2013. The Commission will consider other procedural changes which might speed up the procedure (notably stricter deadlines for each step of the procedure).

- The Commission was requested to evaluate the progress made in the financial management of the different policy areas of the EU budget with a view to arriving at a positive statement of assurance and to report about this evaluation by March 2014[9].

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[9] AARs by the Directors-General and the Synthesis report on the Commission's management achievements for 2013

The Commission will evaluate the progress made and report on this in the AARs and the synthesis report for 2013.

Under the same priority action the EP also had some requests concerning three specific DGs:

DG AGRI

The EP invites DG AGRI to align its practices for the suspension / interruption of payments and to report by the end of June 2013 on the progress made by the working group and to support MS efforts to eliminate from their programmes those conditions that are intrinsically prone to creating implementation and control difficulties.

Commission Regulation 883/2006 was amended in April 2013 with the objective to facilitate interruptions of Rural Development payments to the MSs already in the current programming period in case of deficiencies in the functioning of the management and control system.

However, a full harmonisation of interruption and suspension activities across all policy areas is not possible under the current legal framework (see item 1.2).

For the new programming period 2014-2020, the Commission's proposal for common provisions for the Structural Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development (See Article 74 of COM(2012) 496 final). Moreover, the political agreement on the reform of the CAP, reached on 26 June 2013, would facilitate the suspension of payments in agriculture in case of "serious deficiencies", whilst under the current provisions, there must be 2 financial corrections for the same non-compliance before payments can be suspended.

The report requested was sent to the EP on June 2013 (SWD(2013)244 final).

DG REGIO

The EP invites DG REGIO to fully implement all existing preventive and corrective measures, and insists on the principle of net financial corrections as proposed for the next generation of programmes. The resolution also asks the Commission to defend its position not to allow the selection of retrospective projects[10].

The Commission reiterates its firm vigilance and commitment to use all existing tools whenever needed. Concerning financial corrections, MS can, however under the current regulations, reuse the amounts if they accept the proposed corrections (Art. 98 of Regulation (EC) No 1083/2006). Elsewhere, financial corrections decided by the Commission are net. At closure, the Commission will apply financial corrections on the remaining material errors if necessary, which can be net. For 2014-2020, the Commission firmly defends its proposal as regards net financial corrections once annual accounts have been submitted.

Regarding the so-called retrospective projects under the current programming period, it has taken specific actions to mitigate their inherent risks by providing additional guidance and advice in 2013 to the limited number of concerned MS and by requesting national auditors to target these riskier projects and practices.

For 2014-2020 the Commission proposed that operations shall not be selected for support by the European Structural and Investment Funds where they have been physically completed or fully implemented before the application for funding.

Error rate in centralised management

DG RESEARCH

[10] Retrospective projects are projects which are physically implemented before the funding application

The EP requested to report by the end of June 2013 on the impact of the simplification measures announced in the Synthesis report for the year 2011 on the error rate in research policy. The Commission sent a report (10.7.2013)[11] reviewing the results of the simplification measures and of the improvements in respect of the audit strategy - in particular as regards the measures taken to reduce the audit burden and in respect of the guidance given to beneficiaries and auditors.

1.3. Evaluation Report (Article 318 TFEU) and enhanced use of performance audits

The EP requests the Commission to place the emphasis on the progress made in the achievement of the (EU 2020) flagship initiatives. It also calls for an enhanced use of performance audits.

The Commission has presented an action plan as part of the Evaluation report on the year 2012, which was adopted on 26 June 2013. This action plan includes actions to integrate performance information from the Strategic Planning and Programming Cycle in the Evaluation report. This includes the integration of elements of progress and performance management in the Management Plan for 2014 (setting objectives, performance indicators and associated targets per programme, evaluations planned). Reporting will be deepened in the AARs on how the financial and human resources have been used to achieve the policy objectives, on progress and how these policies have generated EU added value. More progress and performance information will be used in the Evaluation report, including the results of, and actions taken following, performance audits carried out.

Concerning the request of a clear definition of EU-added value, the Commission has already tabled a concept which has been used as a basis for the proposal made for the next generation of programmes under the MFF 2014-2020 (SEC(2011)867). As a consequence most of the new programmes contain a mid-term review concerning this key issue.

Finally on the EU 2020 flagship and other initiatives, the Commission proposals for the new generation of programmes include elements aimed at delivering a stronger performance framework focussing on efficiency and effectiveness in reaching the priority objectives. The next MFF also provides the opportunity for stronger monitoring and evaluation arrangements to feed better reporting. The Commission will report on progress in achieving the objectives of the financial programmes which are designed to contribute to the achievement of the EU 2020 targets and the other programmes contributing to other EU objectives. .

Concerning the request to make available all evaluation reports to the EP, in line with the existing evaluation standard, evaluation results must be made publicly available. This applies unless there is a justification not to publish them under Regulation 1049/2001 regarding public access to EP, Council and Commission documents. The Article 318 report contains a list of evaluations with hyperlinks to the documents.

1.4. Actions concerning revenues and traditional own resources

- The EP invites the Commission to provide the Parliament with an evaluation of the cost of postponing the full application of the Modernised Customs Code (MCC) in time for the 2012 discharge procedure. It also requests the Commission to collect reliable data on the customs and VAT gap in the MS and report every six months to the EP in this regard. Finally the EP asks to identify actions which would increase the effectiveness and efficiency of the collection of customs duties and VAT in MS.

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[11] Ares(2013)2634919 - 10/07/2013

Concerning the evaluation of the cost of postponing the MCC, the Commission provided the EP on 12 April 2013 with a reply[12].

On the requests to collect reliable data on VAT fraud and customs gap in the MS, the Commission has contributed to a study commissioned by the EP. The study is called "From Shadow to Formal Economy: levelling the Playing field in the Single Market" and gives a particular focus to the gaps and their impact on the economies of the MS and the Internal Market. Moreover, in 2009 the Commission made public a study on the estimation of the VAT gap. An update of this study will be sent by the end of October 2013 to the EP and the other institutions.

Regarding the identification of actions which would increase the effectiveness and efficiency of the collection of customs duties and VAT in MS, the Commission is providing technical assistance to certain MS.

- The EP invites the Commission to identify the channels allowing for tax evasion and tax avoidance and promote countermeasures to evaluate the impact of uncollected revenues on the availability of the Union Own resources, to take urgent measures to eliminate the possibilities of diverting money from the financial circuit and to take measures to ensure that all banking activities related to offshore structures are made illegal.

Finally, the EP expected to receive, within two months from the date of the adoption of the resolution, draft legislative proposals to end the practice of the use of tax havens.

The Commission is taking multiple actions supporting MS in their fight against tax fraud and tax evasion.

On 6 December 2012 the Commission adopted a comprehensive and ambitious action plan (COM(2012)722) on fighting tax fraud and tax evasion (Commission action plan) accompanied by two recommendations[13].

As for VAT and customs duties, the Commission put forward an ambitious proposal for a Directive on the fight against fraud to the EU's financial interests by means of criminal law (COM(2012)363) on 11 July 2012. The new rules, when adopted, would harmonise and strengthen the protection of EU revenue. However, implementation of tax or customs collection is a national competence. On 6 June 2013 the Commission also adopted the Communication to the Council and the European Parliament 'Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - a comprehensive EU Strategy'.

As far as the identification of channels allowing for tax evasion and tax avoidance and promote countermeasures and the request to eliminate offshore financial activities are concerned, the two above recommendations promote specific measures to deal with aggressive tax planning and to treat the issue of tax havens. Implementation of the recommendations in the MS will be supervised by the Platform for Tax Good Governance launched by the Commission in June 2013.

The Commission also closely cooperates with the OECD in the establishment of the action plan concerning the tax base erosion and profit shifting problem which has been announced at the beginning of August 2013[14].

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12 Ares(2013)684754 - 12/04/2013

13 Commission recommendation of 6.12.2012 on aggressive tax planning (C(2012) 8806 final) and Commissioner recommendation of 6.12.2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012) 8805 final).

On the issue of the impact of uncollected revenues on the availability of the Union Own resources, the Commission underlines that each revenue stream is characterised by a different risk profile. For traditional own resources, the Commission has repeatedly drawn MS' attention to recovery issues and strengthened awareness by applying the principle of financial responsibility if non-recovery can be attributed to a MS. As far as VAT is concerned, by far the greater financial incentive arising from effective recovery accrues to MS: for every euro collected a minimum of 97 cents goes to national budgets, while the much smaller part 3 cents flows to the EU.

Finally, on the request to receive, within two months, draft legislative proposals to end the practice of the use of tax havens, the Commission considers the two abovementioned recommendations to be the appropriate initiatives to fight efficiently and effectively the issue raised.

2. FOLLOW-UP TO THE 2010 DISCHARGE

2.1. Annual Report to EP on Financial Engineering Instruments (FEIs)

The EP reiterates its request inviting the Commission to evaluate the experiences with FEIs in the Cohesion policy for the programming period 2007-2013 and to provide a risk assessment.

As indicated in the follow-up to the 2010 discharge[15] the Commission sent to the EP in February 2012 the Staff Working Document on "Financial instruments in cohesion policy" which analysed the experience of implementation of FEIs in the current period and proposed strengthening of the regulatory framework for post 2013[16]. In December 2012 the Commission sent to the EP two additional reports: the first on the evaluation carried out by the Commission through the expert evaluation network on the use of the ERDF to support FEIs and the second, based on the amendment of Council Regulation (EC) N° 1083/2006, which introduced an obligation for MS to formally report on FEIs within the Annual Implementation Report[17]. The Commission services are following-up the conclusions of these reports.

2.2. Accountability chain / cascade

The EP considers that the "*Commission constantly ignores EP request to add the responsible Commissioner's signature to the AAR*". As indicated in the follow-up to the 2010 discharge this would be in contradiction to the Commission's internal governance structure. Based on a decision of the College, the primary responsibility for managing financial and human resources is individually assigned to the Directors General or Heads of Service who assume their management responsibility by signing their AARs. The political responsibility is subsequently taken by the College through the adoption of the Synthesis report as defined in Art. 66 paragraph 9 of the FR.

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14 http://www.oecd.org/ctp/BEPSActionPlan.pdf
15 COM(2012)585final
16 SWD(2012) 36 final
17 Ares(2012)1518077 and 1518161 - 18/12/2012

3. HORIZONTAL ISSUES

3.1. Responsibility of the Commission and the MSs in shared management

The EP notes that the Commission should give guidance to MS to draft meaningful annual summaries (AS) and considers that AS should be put at the disposal of the EP and should not only be made available in the language of the MS.

Guidelines on the form and content of the AS have been provided to MS in 2010, including a template. In terms of assurance, annual control reports and audit opinions by audit authorities provide the basis for the AARs assurance and contain more detailed information than the AS. The Commission therefore considers that the added value of the summaries is limited, as shown by an external study which was communicated in May 2011 to the EP[18] .

In the area of Structural funds all AS for the financial year 2010 and 2011 have been submitted to the EP in the original language. Requesting the MS to transmit their AS in another language than theirs would affect current regulatory provisions on the use of languages by MS (Regulation 1, article 2). Taking duly the principles of proportionality and cost-effectiveness into account, the Commission is committed to provide translation of the most important elements of those documents into English provided that they contain no confidential information and that sufficient time is allotted for the task.

Finally the EP calls on the Commission, to establish in cooperation with MS, a model for national management declarations.

In the context of the MFF agreement between the Council and the EP, the Commission presented a declaration stating that it is prepared to examine the request to establish a template for national management declarations to be issued by MS at the appropriate political level and is willing to invite both institutions and other stakeholders to participate in a working group with a view to issue recommendations by the end of this year.

3.2. Reliability of Commission management representations

The EP suggests establishing a clear link between amounts included in AARs, for establishing the residual error rate and information on recoveries / financial corrections presented in the accounts. A clear link has been established between amounts included in the AARs, in particular for establishing the residual error rate, and information on recoveries/financial corrections presented in the 2012 Consolidated accounts. Detailed information on these points appears in the 2012 AARs and in the 2012 Synthesis Report.

In addition, the Commission will present annually, starting in September 2013, a communication on the Protection of the EU budget (See § 1.1).

3.3. Anti-fraud Strategy

The EP calls on the Commission to report on and evaluate the anti-fraud strategies established within each directorate general. The Commission underlines that the AARs of the authorising officers by delegation refer to the adoption and implementation of their respective anti-fraud strategies. The Commission will report to the EP and Council in 2014 on the implementation of its anti-Fraud strategy starting with the Commission report on the protection of the EU financial interests for the year 2013.

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[18] Ares(2011)505770

3.4. Tobacco Industry

The EP calls on the Commission to report on: how it intends to improve its provisions to introduce a pro-active management of potential conflicts of interest and "revolving doors" and the implementation of Article 5(3) of the WHO Framework Convention on Tobacco Control (FCTC). The Commission is also asked to provide an overview of all documents (public and non-public) and all persons involved in the negotiations of the four cooperation agreements.

The Commission considers that the legal framework applicable to all institutions and the implementation provisions adopted by each institution are a solid basis for dealing with all issues relating to conflicts of interest, including the so-called revolving door cases. These rules are proactively managed by the Commission.

As regards the guidelines for implementing Article 5(3) of the FCTC, the Commission believes that the ethical framework applying to Members and staff is fully compatible with this provision, as explained in the response of President Barroso of 12 February 2013 to a letter of Mr Groote, Chairman of the EP Committee on the Environment, Public Health and Food Safety, in the two-year report under the FCTC submitted on 9th November 2012 and in the replies to the parliamentary questions E-011643/2012 and E-001718/2013.

On the request of information, following different exchanges of letters between Mr Theurer (Chair CONT committee) and Commissioner Šemeta, arrangements have been put in place to deal with this issue.

4. SPECIFIC ISSUES

4.1. External aid including the European Development Funds (EDF)

Concerning the EU's aid to Haiti, the EP calls on the Commission to publish the list of the EU funded projects, to provide the performance indicators for Budget Support (BS) and to apply the new criteria for BS set out in the Commission's communication "The future approach to the EU budget support to third countries" from 2013 onwards.

A list of Union funded projects in Haiti has been submitted to the EP on 11 February 2013. The assessment of the sustainability of these projects in a five years perspective is on-going. The final report is expected in the 2nd quarter of 2014.

The Action Fiche which presents the background, objectives and details of the 2010 programme for Haiti has been published[19], it includes the assessment of eligibility for BS.

New BS modalities are applied for all new BS programmes signed as of 1st January 2013.

In order to prepare for the possible future incorporation of the EDF into the EU budget, the Commission has proposed to further align the keys for MS's contributions to the 11th EDF with the GNI-keys used for the EU budget. Furthermore, the Commission proposes to align the provisions of the 11th EDF as far as possible with relevant financing instruments in the budget, (including the Development Cooperation Instrument and the Common Implementing Rules) and the FR of the EU budget, while respecting the partnership principles enshrined in the Cotonou Agreement.

[19] http://ec.europa.eu/europeaid/documents/aap/2010/af_aap-spe_2010_hti_p2.pdf

4.2. OLAF

The EP calls for full transparency concerning the application of fundamental rights during OLAF investigations. Assessing possible breaches of fundamental rights in OLAF investigations is a matter for decision by the relevant Courts.

In accordance with Article 12 (3) paragraph 2 of Regulation 1073/1999, the Director-General of OLAF reports regularly to the EP, the Council, the Commission and the ECA on the findings of investigations carried out by OLAF.

4.3. Requests to the Commission concerning decentralised agencies / joint undertakings

Several EP requests concern simplification measures both of a financial and statutory nature concerning the agencies. The Commission is currently revising the Financial Framework Regulation (FFR) applicable to decentralised agencies aiming at aligning the text to the new FR, and solving recurrent problems encountered by agencies and the Commission.

In the framework of the new Staff Regulations (SR), the revised wording of Article 110 will ensure simplification and flexibility as regards the implementing rules to the SR and the Conditions of Employment of Other Servants. However, it will be difficult for the Commission to present to the EP's CONT a reasoned decision every time a disagreement will arise in the implementation of Article 110 of the SR. This would lead to a disproportionate use of resources as well as delays which would be incompatible with legal certainty.

Concerning the requests on further exploring the synergies between certain agencies[20], the Commission will, as indicated in its Roadmap on the implementation of the Common Approach, assess on a case by case basis the possibility of sharing services based on proximity of locations or policy area or that of merging agencies whose tasks are overlapping and which would be more efficient if inserted in a bigger structure. The Commission presented a proposal to merge CEPOL with Europol in March 2013 (COM(2013)173).

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[20] CEPOL- EUROPOL, CEDEFOP- ETF, EUROFOUND-EU-OSHA