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**REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE  
EUROPEAN COURT OF AUDITORS**

**"TECHNICAL ASSISTANCE: WHAT CONTRIBUTION HAS IT MADE TO  
AGRICULTURE AND RURAL DEVELOPMENT?"**

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### **"TECHNICAL ASSISTANCE: WHAT CONTRIBUTION HAS IT MADE TO AGRICULTURE AND RURAL DEVELOPMENT?"**

#### **EXECUTIVE SUMMARY**

IV. The Commission considers that Art. 5 of Regulation (EC) No 1290/2005 provides the single clear legal reference for both EAGF and EAFRD at Commission level and/or on its behalf.

For the new programming period, Technical Assistance at the level of the Member States is defined under Article 59 of Regulation 1303/2013.

The freedom of choice resulting from the regulatory flexibility is needed to cope with the large variety of needs encountered by national and regional authorities. Capacity-building is very much linked to certain type of costs such as administrative costs or IT tools. Expenditure financed through technical assistance is directly linked to the preparation, implementation and evaluation of the rural development programmes (RDPs).

As regards the 2014-2020 programming period, the Commission has presented comprehensive guidelines to the Member States and provided policy lines to desk officers in order to streamline approaches in the negotiation of new RDPs.

V. Member States must ensure that all the rural development measures they intend to implement are verifiable and controllable. To this end Member States shall define control arrangements that give them reasonable assurance that eligibility criteria and other commitments are respected (Art. 48 R1974/2006).

For the 2014-2020 programming period technical assistance will be subject to administrative and on-the-spot checks (Art. 62 Reg. 809/2014) improving the level of assurance in terms of eligibility of the expenditure.

Technical assistance expenditure must be traceable and resources financed therewith should be identifiable through sound accounting practices. The same principle applies to other expenditure, beneficiaries and operations that could be financed under other EU funds or public support in general.

VI. Member States have the obligation to provide information in the Annual Progress Report on the quality and effectiveness of the programme implementation, including the use of technical assistance (Annex VII Reg. 1974/2006).

Technical assistance expenditure contributes to a smooth implementation of the programmes, which ultimately benefits beneficiaries.

VII. Technical assistance contributes to the implementation, monitoring, control and evaluation of the RDPs. Only the synthesis of ex-post evaluations of the RDPs will be able to demonstrate the contribution of technical assistance to the general CAP objectives.

The legislator decided to grant flexibility to Member States in the use of technical assistance funds

First recommendation:

The Commission accepts this recommendation and will further develop guidance in this regard.

Second recommendation:

The Commission cannot accept this recommendation. It considers that IT maintenance is an operational activity linked to the update and development of the systems. In accordance with Commission's ESIF budgetary guidelines, dated 16 May 2014, for the shared management

programmes on the use of the operational and the non-operational (administrative) technical assistance in the case of IT and audit expenditure, all types of IT costs, whether related to IT development or IT maintenance, should always be charged in the same budget line as their respective IT development costs. This approach strengthens the budgetary discipline and consistency in all shared management areas of the Commission's budget.

Third recommendation:

The Commission accepts this recommendation.

In the medium term, the Commission will request more detailed information within the current reporting systems in order to improve the monitoring of the type of costs incurred (i.e. administrative and operational costs) under technical assistance budget.

Fourth recommendation:

The Commission accepts this recommendation. The Commission will encourage Member States to use adequate indicators for the monitoring of the technical assistance expenditure, although it will not make it compulsory.

## **INTRODUCTION**

13. The volume of TA spending is planned according to identified relevant needs. For example, article 8(c)(vi) of Reg. N° 1305/2014 introduces the requirement for the Managing Authorities to ensure adequate advisory capacity on regulatory requirements and actions related to innovation, a fact which might have triggered additional corresponding needs in terms of technical assistance.

The Commission has streamlined the approach towards technical assistance in the all ESI Funds, establishing common legal provisions applicable to all. This provision (Art. 59 R1303/2013) slightly widens the scope of the expenditure eligible for support, including communication, networking, complaint resolution and audit activities, which were not used for the definition of technical assistance in the previous rural development legal framework.

16. As regards Pillar I, all commitments have to be made within the budget year concerned and, barring the rare cases of allowed carry-overs from one budget year to the next, they lapse at the end of that year. However, payments can be made in the course of more than one budget year.

As regards Pillar II, the outcome of the use of the planned technical assistance funds is not fully known yet, as the Member States may submit expenditure declarations throughout 2015. There is a wide variation among the Member States in relation to the proportion of the rural development allocation they plan to use for technical assistance.

## **OBSERVATIONS**

24. As regard Pillar I, funding of Member States' administrative costs is excluded in EAGF. Administrative costs incurred by beneficiaries of operational funds or programmes are eligible and can be included in the Member States declarations on the basis of the delegated acts adopted by the Commission under the new CMO Regulation No 1308/2013.

25. The Commission recognises the importance of justification and transparency of technical assistance-funded administrative costs. The sound implementation of the programmes, and ultimately the rural development policy, requires well-equipped administrations.

26. The Commission considers that Art. 5 of Regulation (EC) No 1290/2005 provides the single clear legal reference for both EAGF and EAFRD at Commission level and/or on its behalf.

For the new programming period, Technical Assistance at the level of the Member States is defined under Article 59 of Regulation 1303/2013.

27. Despite the non-explicit inclusion of the term “capacity-building” in Art. 5, all the itemised activities lead eventually to capacity-building of the Commission and Member States’ services for the legal and regular application of CAP rules.

28. The legislator, when adopting the Regulations, chose a flexible and wide approach for the use of technical assistance by the Member States. The Commission cannot interfere with the application of such provisions, especially when the expenditure is found to be eligible.

Nonetheless, for the current programming period, the Commission has issued specific guidelines for Member States, as well as policy lines and indicative indicators for desk officers.

Administrative costs supported by technical assistance must be clearly linked to the implementation of the programme. The flexibility in the use of funds under technical assistance within the established ceilings does not imply a lack of rigour. Under shared management, Member States should ensure that the EU budget is spent following the principles of economy, efficiency and effectiveness (Art. 30 Financial Regulation 966/2012).

Technical assistance expenditure supports activities of the National Rural Network of the Member States, which are clearly defined and established in the legal framework (Art. 68 Reg. 1698/2005) and in the RDPs.

30.

In the Commission's view, the ‘definition’ and the ‘nature’ of technical assistance should be determined by the legislator.

The aim of the vademecum for the direct management mode is to provide guidance on the validation, financial circuits, processes and procedures applied for the implementation of the budget and not to provide rules on budget allocation between headings.

31. According to the Commission's accounting systems, the total value of commitments in 2013 was 21.879.114 euro. The Commission has reinforced networking activities, in particular in relation with the European Innovation Partnership, at the end of the 2007-2013 programming period. Networking activities were also a key element for the preparation of the next programming period. Overall, networking represents an important result-oriented activity underpinning policy conception. As regards IT systems, the development of new and more sophisticated tools (e.g. RDIS2, SFC) to prepare 2014-2020 period was implemented mainly as from 2012 and consequently, related expenditure is substantially higher than in 2007. See also replies to paragraphs 32-35.

32. Common Commission reply to paragraphs 32 to 35:

The responsible Commission services have funded IT expenditure through a number of budget articles on the basis of the link of the expenditure concerned with the underlying activity:

The budget articles used for this funding involve non-technical operational assistance of support expenditure for CAP operations (EAGF and EAFRD were separately funded through Article 05 01 04) and operational technical assistance directly linked to the implementation of operational CAP programmes and activities (EAGF funded under Article 05 08 09 and EAFRD under Item 05 04 05 02).

The development and maintenance of IT administrative systems has been progressively taken on board by the horizontal services within the Commission. However, the Commission has remained responsible for IT systems serving the CAP. The aforementioned budget articles cover both the initial development costs of the IT systems concerned and their maintenance costs. These latter costs involve both the further development of these systems as needs arise (evolutive maintenance) and their needed corrective maintenance and operation.

Guidelines have been issued by the Commission for shared management programmes that provide for the necessary guidance on the type of budget line to use in the case of IT expenditure (and audit) for the purposes of adequate consistency with regards to the budgeting of the IT expenditure. All types of IT costs should follow these guidelines, whether IT development or IT maintenance and the maintenance costs should always be charged in the same budget line as their respective IT development costs. This approach strengthens the budgetary discipline and consistency in all shared management DGs.

36. See Commission reply to paragraph 28.

37. See Commission reply to paragraph 28.

38. The average figure regarding the use of technical assistance for the 2007-2013 programming period (1.57%) and the estimated one for the 2014-2020 programming period (1.97%) reveal a moderate allocation by Member States and indicate that funds are only spent on needed activities related to the implementation of the RDPs. Furthermore, the actual amount spent in 2007-2013 (as of 31/10/2014) was only 70% of the planned amounts indicated in Annex. Therefore, only 1.16% of the executed budget 2007-2013 has been actually dedicated to technical assistance.

See also Commission reply to paragraph 13.

40. Common Commission reply to 40 and 41:

Sound financial management and ambitious policy objectives in rural development policy require enhanced administrative capacities in the Member States. In order to ensure an adequate implementation, an increased use of resources was dedicated to maintain administrative capacity in MS.

Moreover, the audited period was affected by a severe economic crisis, especially in certain Member States where national administrations experienced important cuts and lack of resources. In order to ensure a sound implementation of the policy and reduce the increasing level of error rate, such administrations sought EU funding through technical assistance support.

43. Art. 66 (2) of Reg. (CE) No 1698/2005, states that "At the initiative of the Member States, for each rural development programme, the EAFRD may finance preparation, management, monitoring, evaluation, information and control activities of programme assistance. Up to 4 % of the total amount for each programme may be devoted to these activities." According to Art. e 71(3) of Reg. (CE) No 1698/2005, it is for the competent National Authorities to set the rules on eligibility of expenditure, subject to the special conditions laid down by Reg. (CE) No 1698/2005 for certain rural development measures.

45. The Commission considers that reallocation of appropriations to management improves processing of aid applications and better advisory service rendered to RDPs' beneficiaries, especially with regard to complex investment measures, thus improving the overall programme implementation.

46. Technical assistance is partly used for the overall management of RDPs which is considered by decision-makers a necessary support for the implementation of the policy. Therefore, it should be assessed in the light of the performance indicators of the RDPs.

47. Technical assistance is largely used for easing administrative burden of the beneficiaries, improving their knowledge and information about the programme implementation or making full use of IT tools and e-Administration. Therefore, technical assistance expenditure, even if dedicated partly to budget support, has a positive impact for the beneficiaries.

48. National administrations in economically weaker Member States need an increased support to meet EU commitments and obligations in terms of programme implementation. Such expenditure is needed to finance administrative resources linked to the implementation of the programme.

Poland's technical assistance spending in percentage terms is relatively low.

49. Technical assistance supports the implementation of the key objectives of the policy, which would not be achieved in the absence of such funding. Therefore, the Commission believes that technical assistance expenditure does not divert substantial resources from the objectives of the policy, but on the contrary it reinforces the implementation arrangements in the Member States.

Only 1.16% of the expenditure was spent for technical assistance in 2007-2013 (of a possible ceiling of 4%). This relatively minor percentage of rural development expenditure does not show any will to maximize payments towards administrative costs of the Member States.

### **Box 1 – Technical assistance and the costs of programme management**

Considering that the technical assistance budget finances some overheads attributable to programme implementation, the share of such expenditure compared to the overall budget of the policy (i.e. 1.16%) seems to be very limited.

In the Commission's opinion, although the cost of controls in Member States should not be increased, emphasis should be put on the need to improve the quality and efficiency of controls.

Obligations linked to management, control, information, publicity, networking monitoring and evaluation are necessary for a performing policy and their costs should be co-financed by the EAFRD.

50. The Commission has presented guidelines to Member States on the use of technical assistance for the 2014-2020 programming period in the framework of the Rural Development Committee.

51. The table in Annex is based on draft RDPs submitted by the Member States, the majority of which are still under discussion.

See also Commission reply to paragraph 13.

54. The Commission is conducting a number of audits in the Member States to verify technical assistance expenditure. Errors reported by the Commission and the ECA are followed up and financial corrections are proposed.

The legal framework for 2014-2020 programming period has been reinforced. The guidance fiche presented to Member States includes the following recommendation: "The administrative costs of the beneficiaries financed through technical assistance, including staff costs, should clearly be determined (type of administrative costs and criteria for attribution). In addition, when beneficiaries are also implementing other Funds (i.e. ESIF or EAGF), the verifiability and measurability of the administrative costs financed technical assistance must be ensured".

55. Member States are made aware that technical assistance can only relate to the RDPs and that a clear separation of administrative costs and staff costs related to Pillars 1 and 2 must be proven.

See also reply to 54.

### **Box 2 – Risk of ineligibility where costs are shared with Pillar I**

According to the Lithuanian authorities, the Ministry approves regularly updated lists of employees partially assigned to work on RDPs together with specific percentages of their working time. In the Paying Agency, the pro rata attribution of the working time of the staff is established taking into account different funds managed by the Agency, tasks and functions assigned, action plans approved, planned calls for proposals and their processing, on-spot checks etc.

As regards Hungary, on 19th December 2014 the Commission reminded the Hungarian authorities that for 2014-2020 programming period a list of the beneficiaries of technical assistance should be provided. In addition, where beneficiaries also implement other Funds (i.e. ESIF or EAGF), the verifiability and measurability of the administrative costs financed must be ensured.

As regards Austria, during the 2014-2020 programme negotiations the authorities were made aware that technical assistance can only relate to the RDPs and that a clear separation of administrative costs and staff costs related to Pillars I and II must be proven.

As regards Poland, the coefficients were estimated on the assumption that the share between Pillar I and II was unlikely to be changed over the period.

It shall be noted that Commission takes into account the Court's observations during its own audits. See also reply to 55.

56. See Commission reply to paragraph 54.

### **Box 3 – Examples of procurement irregularities**

The Commission has repeatedly stressed the importance of compliance with the rules on public procurement in bilateral meetings and in various documents exchanged with the Managing Authorities in line with Art. 82(2)(f) of Reg. (EU) No 1698/2005.

Specific assurances with regard to compliance, in particular with respect of rules on competition and public procurement, have been provided by the Italian Managing Authority in the Annual Progress Report.

Art. 62 of Reg. (EU) n°1305/2013 broadened the domain where an independent expert should perform or confirm the calculations. It will also cover all operations where simplified cost options will be used.

62. In the 2014-2020 programming period, the National Rural Networks will be monitored through 3 specific output indicators (Annex IV of Reg. 808/2014). As for other activities funded under technical assistance, the guidance fiche presented to Member States includes the following recommendation: "In order to comply with the general principles of sound financial management of EU Funds, technical assistance expenditure should be based on SMART operational objectives (Art. 30, Financial Regulation No. 966/2012), following appropriate needs assessment. The outputs should be monitored and evaluated, based on performance indicators. Member States are encouraged to establish additional specific indicators for technical assistance".

### **Box 4 – Is TA an activity or just a tool?**

The RDPs are implemented through the measures which require support in the form of technical assistance for their overall sound implementation. In this sense, the Commission considers the measures being the policy tools (toolkit) and technical assistance a cross-cutting activity supporting the effective management of the RDPs.

The intention to consider technical assistance as separate from the measures is clearly evidenced by the fact that they are set in different Chapters in the rural development legislation. For instance in the case of Regulation 1305/2013: Chapter I of Title III describes the measures, Chapter II describes the common provisions for several measures and Chapter III describes technical assistance and networking. Clearly technical assistance is separated from the measures. However, this separation does not entail that technical assistance is not monitored or evaluated. The RDPs are properly planned, monitored and evaluated and the effects of technical assistance underpin sound implementation and effective delivery of the RDPs as a whole.

As regards Austria, the funding of administrative costs executed by the Paying Agency was in line with the relevant EU legislation and therefore approved by the Commission.

63. Since the monitoring and evaluation framework assesses the overall performance of the RDPs, an overspending on (non-operational) costs that do not contribute to programme performance would be reflected in a lower overall performance. Therefore, the Commission considers that the contribution of technical assistance is indirectly included in the assessment.

64. Objectives and targets are set appropriately at the level of the RDPs.

See also Commission reply to paragraph 62.

67. Member States are required to evaluate how the medium and long-term needs can be covered by the RDPs as a whole.

Programme amendments must be duly justified by Member States and where technical assistance expenditure is to be modified, concrete reasoning must be provided.

Moreover, the example on Poland demonstrates possible difficulty in preparation of a separate meaningful long-term assessment of needs in the area of technical assistance.

69. The Commission did not set separate objectives for all technical assistance funding because it considered it not to be necessary, cost-effective or proportional. However, where relevant, it has developed multiannual planning and related milestones (evaluation, IT schema directeur, etc.).

73. Technical assistance was not mentioned separately in general guidance on the CMEF because the performance requirements are indirectly covered and measured under the performance of the measures to which they contribute.

CMEF foresees the use of RDPs additional indicators (Art. 81(2) of Reg. 1698/2005) to be defined by the Member States in order to allow the monitoring and evaluation of the specificities of the RDPs. It also introduced common evaluation questions for the technical assistance to be evaluated in the mid-term and ex-post evaluations.

75. Given the wide variety of needs covered by technical assistance, separating the monitoring and evaluation from the elements of the RDPs to which they contribute would necessitate a very large and costly framework to follow up relatively low expenditure. According to the Annex VII of Reg. 1974/2006, the Annual Progress Report should contain information on the steps taken by the Managing Authority and the Monitoring Committee to ensure the quality and effectiveness of programme implementation, including technical assistance. However, the evaluation of RDPs (including performance and impact assessments) should be performed in the mid-term and ex-post evaluations.

76. Given the high number of RDPs and the wide variety of needs covered, it is considered that the Member States are more suitable to assess where and how support, as defined in the legislation, is the most needed. Targeting is done by Member States on the basis of the assessment of needs and the funds are allocated to the concrete areas considered relevant. These areas, as shown by the figures, vary substantially from one Member States to the other.

77. Member States have notably increased cooperation activities among the paying agencies in order to assess and remedy the existing shortcomings in the implementation causing high error rates. Such activities can be financed through technical assistance.

78. See Commission reply to paragraph 75.

82. For the 2014-2020 programming period, one of the tasks of the Rural Networks' Assembly established in the Article 3 (d) of the Commission Implementing Decision N° 825/2014 is to ensure appropriate monitoring and assessment of the activities of the ENRD and of the EIP network. Under



the same regulation, Article 8 (c) foresees the assessment on an ongoing basis of the effectiveness and efficiency of the activities of the ENRD and of the EIP network.

## **CONCLUSIONS AND RECOMMENDATIONS**

83. Technical assistance contributes to the implementation, monitoring, control and evaluation of the RDPs. Only the synthesis of ex-post evaluations of the RDPs will be able to demonstrate the contribution of technical assistance to the general CAP objectives.

The legislator decided to grant flexibility to Member States in the use of technical assistance funds.

84. The Commission considers that Art. 5 of Regulation (EC) No 1290/2005 provides the single clear legal reference for both EAGF and EAFRD at Commission level and/or on its behalf.

For the new programming period, Technical Assistance at the level of the Member States is defined under Article 59 of Regulation 1303/2013.

The freedom of choice resulting from the regulatory flexibility is needed to cope with the large variety of needs encountered by national and regional authorities. Sound implementation of the RDPs is very much linked necessary costs such as administrative costs of the IT tools. Expenditure financed through technical assistance is directly linked to the preparation, implementation and evaluation of the rural development programmes (RDPs).

As regards the 2014-2020 programming period, the Commission has presented comprehensive guidelines to the Member States and provided policy lines to desk officers in order to streamline approaches in the negotiation of new RDPs.

85. In accordance with Commission's ESIF budgetary guidelines for the shared management programmes on the use of the operational and the non-operational (administrative) technical assistance in the case of IT and audit expenditure, all types of IT costs, whether related to IT development or IT maintenance, should always be charged in the same budget line as their respective IT development costs. This approach strengthens the budgetary discipline and consistency in all shared management areas of the Commission's budget. As regards Technical Assistance at the initiative of the Member States, payroll is an eligible expenditure if resources paid thereof are directly linked to the implementation of the RDP. In this regard, the Guidance fiche presented to Member States on technical assistance for the 2014-2020 period includes specific information on how to attribute and finance staff costs.

86. The Commission encourages Member States to ensure that the administrative costs of the beneficiaries financed through technical assistance, including staff costs, are clearly determined. In addition, where beneficiaries also implement other Funds (i.e. ESIF or EAGF), the verifiability and measurability of the administrative costs financed through technical assistance must be ensured.<sup>1</sup>

### **Recommendation 1**

The Commission accepts this recommendation and will further develop guidance in this regard.

### **Recommendation 2**

The Commission cannot accept this recommendation. It considers that IT maintenance is an operational activity linked to the update and development of the systems. In accordance with Commission's ESIF budgetary guidelines, dated 16 May 2014, for the shared management programmes on the use of the operational and the non-operational (administrative) technical

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<sup>1</sup> Technical Assistance Guidance Fiche 2014-2020

assistance in the case of IT and audit expenditure, all types of IT costs, whether related to IT development or IT maintenance, should always be charged in the same budget line as their respective IT development costs. This approach strengthens the budgetary discipline and consistency in all shared management areas of the Commission's budget.

### **Recommendation 3**

The Commission accepts this recommendation.

In the medium term, the Commission will request more detailed information within the current reporting systems in order to improve the monitoring of the type of costs incurred (i.e. administrative and operational costs) under technical assistance budget.

91. Technical assistance being a cross-cutting supporting activity, the monitoring and evaluation of its spending is embedded in the monitoring and evaluation of the programmes as a whole.

Specific financial output indicators are applied to technical assistance.

92. The potential effectiveness of a tool does not depend on the presence of a system to assess its impacts.

### **Recommendation 4**

The Commission accepts this recommendation.

The Commission will encourage Member States to use adequate indicators for the monitoring of the technical assistance expenditure, although it will not make it compulsory.