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NO 04

Special Report

Technical assistance: what contribution has it made to agriculture and rural development?

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(pursuant to Article 287(4), second subparagraph, TFEU)

Audit team

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was produced by Audit Chamber I — headed by ECA member Rasa Budbergytė — which specialises in preservation and management of natural resources spending areas. The audit was led by ECA member Kersti Kaljulaid, supported by Helder Faria Viegas, head of unit; Csaba Bartos, team leader; Blanka Happach, deputy team leader; Maciej Szymura auditor; Carlos Sanchez Rivero, auditor; Roberto Resegotti, auditor; Tom Everett, drafting assistance.

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Abbreviations

CAP: Common agricultural policy

CMEF: Common monitoring and evaluation framework

EAFRD: European Agricultural Fund for Rural Development

EAGF: European Agricultural Guarantee Fund

EAGGF: European Agricultural Guidance and Guarantee Fund — predecessor (1962–2006) to the EAGF and EAFRD

ENRD: European Network of Rural Development

RDP: Rural development programme

Sapard: Special accession programme for agriculture and rural development — instrument set up to assist candidate countries (2000–06) with the necessary structural adjustments in agriculture and rural areas prior to membership of the EU

Executive summary

I

Technical assistance (TA) has traditionally been concerned with the provision of expertise and funding to support government departments in the delivery of programmes linked to policy objectives. In the EU's 'Agriculture and rural development' policy area, TA takes the form of funding in separate areas of the common agricultural policy — the European Agricultural Guarantee Fund (EAGF) (Pillar I) and the European Agricultural Fund for Rural Development (EAFRD) (Pillar II). Expenditure should contribute to the development of administrative capacity and implementation of programmes under the two pillars by the Commission and the Member States.

II

The Court audited the use of TA funding in agriculture and rural development during the 2007–13 period. By the end of 2013, the Commission and the Member States had spent half of their TA budget of 1.8 billion euro in this policy area, with the remainder available for spending until the end of 2015.

III

The audit focused on the management of technical assistance and its contribution to the core policy objectives. This was done by examining which activities were supported by TA funding at the Commission and in the Member States, whether the costs claimed were eligible and whether the arrangements for measuring TA performance were appropriate and effective.

IV

The Court found that the Commission and the Member States have taken full advantage of the regulatory flexibility in this area. However, the freedom of choice has resulted in a lack of rigour about the goals of funding and how it can be used. For the audited period there was a move away from a 'capacity-building' understanding of TA towards support for regular administrative costs, such as payroll and IT maintenance. Using TA in this way raises questions about its specific contribution to overall programme goals.

V

Another consequence of the Commission's insufficiently prescriptive approach to TA use lies in the area of eligibility. Because administrative costs are often shared between Pillar I and Pillar II, there can be confusion over the correct allocation of expenditure to a specific fund. This problem has mainly arisen in the Member States, where there is largely no entitlement to TA co-financing under Pillar I. The fact that administrative costs are eligible under Pillar II only, or (at the Commission) have to be divided between the two pillars, has meant complex administrative procedures to justify the way they are allocated, and these are not always adequately applied.

VI

The use of all CAP funding is regulated by requirements relating to guarantees on the appropriateness of expenditure through a monitoring and evaluation framework. Being largely non-operational, however, technical assistance was excluded from this framework. As a result, transparency and accountability are compromised and it is impossible to say whether TA resources are being used effectively and efficiently. There is also a risk that diverting funds away from capacity-building measures linked to the core funding objectives will penalise final beneficiaries — more especially, owing to the structure of co-financing, in the EU's poorer regions.

VII

Overall, the Court concludes that owing to the absence of a suitable performance framework for TA expenditure in agriculture and rural development, neither the Commission nor the Member States are able to demonstrate how well technical assistance has contributed to the general policy objectives of the CAP.

The Court therefore makes the following recommendations.

- The Commission should clarify the scope and application of technical assistance of Member States in the area of rural development. In particular, it should clarify the distinction between operational/'capacity-building' expenditure and eligible administrative/'budget support' costs, notably in the case of payroll.
  Such clarification would improve transparency about the ways funding can be used. The Commission should closely monitor the Member States' implementation of TA.

- The Commission should also take appropriate measures to ensure that general administrative expenditure such as regular IT maintenance is not charged to technical assistance budget lines.

- The Commission should, in future, require Member States to report administrative/'budget support' costs for rural development separately so as to make it more transparent that part of TA funding is spent on such support.

- The Commission and the Member States should establish a suitable performance framework for TA funding. In particular, the TA needs of the Commission and of the Member States should be properly assessed and there should be a mechanism in place to set objectives and measure progress towards them.

Introduction

What is technical assistance?

01
Technical assistance (TA) in the international context has been defined as 'the provision of know-how in the form of personnel, training, research and associated costs'[1]. It is generally delivered, in the framework of development aid from the Organisation for Economic Cooperation and Development (OECD), the United Nations (UN) and other international organisations, through expertise and advice to assist states with development programmes.

02
For the EU, the delivery of specific expertise is characteristic of technical assistance measures in the area of external support for developing countries and other non-Member States. The Commission also provides TA, in the form of funding, through three other main channels:

- it meets the costs of executive agencies set up to manage projects and programmes in both specific and cross-cutting policy areas;
- it has established headings, financed by the operational budget[2], for its directorates-general to run, manage and coordinate programmes in specific policy areas;
- it co-finances the Member States' use of TA in connection with EU funds (e.g. EAFRD, European Fisheries Fund (EFF), Cohesion spending, European Regional Development Fund (ERDF)) to facilitate the implementation of national and regional programmes or actions.

03
This audit report covers the last two of these areas of expenditure, corresponding to the way technical assistance funding is used in the 'Agriculture and rural development' policy area.

04
Traditionally, the cost categories financed in this way are preparation of studies and evaluation reports, the organisation of meetings and seminars, training and the services of external experts. However, funding can also cover staff costs, IT development and maintenance, information and publicity activities and networking. Expenditure should be programme-specific and should contribute to overall policy aims in administrative capacity development and programme implementation.

1 OECD definition in DAC Statistical Reporting Directive, 12 November 2010, paragraphs 47 to 48.

2 As the Commission is the only EU institution with an operational budget, it alone is responsible for financing, implementing and supervising TA funding at EU level.

The recent history of technical assistance in agriculture and rural development

05

The rules on the use of technical assistance in agriculture are not the same for Pillar I of the common agricultural policy (CAP) (market measures and direct aid through the EAGF) and Pillar II (rural development support through the EAFRD).

06

Between 2000 and 2004, the only TA co-financing available to Member States in rural development came from the 'Guidance' section of the European Agricultural Guidance and Guarantee Fund (EAGGF). Levels of support were relatively low (1 % of total funding), and there was close Commission supervision of the way TA funding was used.

07

During the 2000–06 programming period, 10 central and eastern European candidate countries[3] were offered technical assistance in agriculture in the context of Sapard. This was one of three structural programmes (the others being Phare and ISPA) addressing institutional, transport, environmental and agricultural capacity-building to prepare administrations for EU membership. The three programmes had shared rules on TA implementation and eligibility. In the case of Sapard, the EU bore the entire amount of the TA expenditure incurred in each country at the Commission's initiative, at an average rate of 3 % of annual funding.

08

From 2004, the eight Sapard countries which that year joined the EU were able to benefit from new transitory measures, including additional TA resources from the EAGGF 'Guarantee' section to help them strengthen the administrative capacity to manage their rural development programmes (s) efficiently.

09

For the 2007–13 period — which is the main focus of this report — the link to structural spending was severed, and funding (including the TA component) in agriculture and rural development was addressed separately through legislation specific to the policy area. While this did not mean major rule changes for Pillar I, there were significant developments in the approach towards the use of TA under Pillar II. The applicable legislation is described in the following section.

10

One noteworthy element of TA programming that was introduced for 2007–13 was the requirement for networking in rural development, both nationally[4] and across the EU[5]. Although it accounted for only a small part of the EAFRD allocation to TA, networking was an important addition because it established an EU-wide framework involving a large number and variety of potential partners.

3 All of the 2004 and 2007 accession States except Cyprus and Malta.

4 Through 'national rural networks'.

5 Through the European Network for Rural Development.

Rules and regulations

11
For 2007–13, the key references to TA in agriculture and rural development appeared in more than one EU regulation[6]. Under Pillar I, co-financing of Member States' TA was only allowed for a few schemes[7] which together accounted for less than 5 % of the EAGF budget. In addition, Article 13 of the CAP financing regulation explicitly stated: 'Expenditure relating to administrative and personnel costs incurred by Member States and beneficiaries of aid from the EAGF shall not be borne by the Fund'. In contrast with these restrictions, no maximum amount was specified for the Commission's use of TA funding under Pillar I.

12
In rural development, the rules authorised the Commission to use up to 0.25 % of the annual EAFRD allocation to fund TA activities. These were listed as 'preparatory, monitoring, administrative support, evaluation and control measures'[8]. The Member States were given full charge of their own TA budget, which was set at a maximum of 4 % of the total amount for each RDP and was to be spent on 'preparation, management, monitoring, evaluation, information and control activities of programme assistance'[9]. Within these limits, both the Commission and the Member States were free to determine how much to devote to TA and which projects/activities could be financed.

13
The Commission has not put forward any major changes to the principles of TA funding in the current programming period (2014–20), either in rural development or in the general field of agriculture. Meanwhile, the planned volume of TA spending by both the Member States and the Commission is scheduled to increase (see ***Annex***).

6 The main provisions for 2007–13 were Article 5 of Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the CAP (the CAP financing regulation) (OJ L 209, 11.8.2005, p. 1), Article 66 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the EAFRD (the EAFRD Regulation) (OJ L 277, 21.10.2005, p. 1) and Articles 40 to 41a of Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the EAFRD (the implementing regulation for EAFRD support) (OJ L 368, 23.12.2006, p. 15). Like the 2002 financial regulation (Council Regulation No 1605/2002), these texts have now been repealed and replaced.

7 Such as wine and beekeeping measures, the school fruit scheme and the POSEI scheme for outermost regions.

8 Article 66(1) of the EAFRD regulation.

9 Article 66(2) of the EAFRD regulation.

Budgeting and spending levels

14
In Title 05 of the EU budget ('Agriculture and rural development'), appropriations for TA spending appear under both operational[10] and administrative headings[11].

15
The table gives an overview of TA in agriculture and rural development during the 2007–13 period.

16
At the end of the programming period, the Commission had not yet exhausted its TA commitments for Pillar I and Pillar II. The amount allocated under Pillar II was 0.19 % of the total EAFRD budget, significantly less than the permitted ceiling, and by the end of 2013 only around a quarter of this allocation had been spent. The situation was similar in the Member States, where the average amount planned for Pillar II was less than 1.9 % of the total rural development budget, while average execution was around 0.8 % at the end of 2013 — again, both significantly lower than the 4 % ceiling. However, because accounting can include costs incurred up to 2015 (the 'n+2' rule), final execution levels from all budgets may be much higher.

10 Chapters 05 02 and 05 03 for specific schemes under Pillar I; chapter 05 04 for Pillar II. Some elements of TA spending are also included in chapter 05 08, which groups the general policy coordination activities of the CAP, i.e. those going beyond a specific programme area.

11 Article 05 01 04 (support expenditure). Although classified as administrative appropriations, costs of this nature are charged to the operational expenditure of the programme to which they contribute. The crucial point is that they must be clearly linked to either the EAGF or the EAFRD. Another part of chapter 05 01 (administrative) expenditure is also relevant to this audit. This concerns 'Other management expenditure' (item 05 01 02 11), a heading used to finance activities which, while very similar to operational TA, are not programme-specific and therefore do not qualify under the regulations.

Table

Overview of TA expenditure under Pillar I and Pillar II

(million euro)

Policy area	Scheme	Beneficiary	Ceiling (%)	TA budget planning (commitments) 2007–13	Financial execution 2007–13
Agriculture and rural development	Pillar I	COMM	N/A	73.5	54.4
		MS	N/A	No consolidated data available	
	Pillar II	COMM	240.6 (0.25 %)	188.0	47.9
		MS	3 849.5 (4 %)	1 513.0	788.4
TOTAL 'Agriculture and rural development'				**1 774.5**	**890.8**

Note*:* All figures have been rounded.

Source: ECA, on the basis of the EU general budget and data provided by the Commission.

Audit scope, objectives and approach

Audit scope and objectives

17
The Court examined the use of TA funds in agriculture and rural development during the 2007–13 programming period. The audit focused on the regularity, the effectiveness and the efficiency of funding at the Commission and in the Member States.

18
The audit topic was chosen, in part, because of the diversity of TA (as a cross-cutting area of spending), which appears under a number of budget headings (paragraph 14) and, finally, for which there was no single clear definition in the applicable legislation.

19
The audit aimed to assess how well TA was managed and whether it contributed to the core objectives of agriculture and rural development policy. Specifically, we examined:

- what activities were financed from TA funding (see paragraphs 24 to 51);
- whether the costs claimed for TA were eligible (paragraphs 52 to 59);
- whether the arrangements for measuring TA performance were appropriate and effective (paragraphs 60 to 82).

Audit approach

20
The main audit work involved visits to the Commission's Directorate-General for Agriculture and Rural Development (DG Agriculture and Rural Development) and to five Member States (Italy, Lithuania, Hungary, Austria and Poland) using TA funding in agriculture and rural development. These countries were chosen because, taken together, they accounted for more than 50 % of TA spending during the audited period.

21
Our findings are based on information obtained from the audit visits and from a survey of regional and national managing authorities in the 27 Member States. Of the 92 such authorities, 50 replied to the survey, though not always in full or in much detail. All told, the survey and country visits produced information on approximately 76 % of all TA expenditure planned in rural development as at the end of 2013.

22
In the five selected Member States, the auditors visited the main beneficiaries of TA funding — ministries of agriculture, paying agencies and other bodies in charge of implementing rural development measures. They also held meetings with other stakeholders, such as representatives of farmers' associations, chambers of agriculture, non-governmental organisations (NGOs) and the other members of national rural networks. Lastly, the auditors reviewed 20 DG Agriculture and Rural Development projects funded from the TA budget and 91 TA projects in the five Member States.

23
Owing to the Article 13 prohibition on administrative spending under the EAGF (see paragraph 11) and the absence of consolidated data on the very few permitted cases of Pillar I TA, the audit in the Member States focused on rural development (Pillar II) spending. TA funding for EU candidate countries was excluded from the audit because of the minimal expenditure involved (just 0.3 million euro for the entire programming period).

How is money for technical assistance actually spent?

24

Before 2007, TA funding under the CAP was used essentially for capacity-building activities, and administrative costs in the Member States were explicitly excluded from all support[12]. At present, the scope of TA funding is sufficiently flexible to accommodate varied administrative capacity development needs. However, ensuring flexibility should not mean losing sight of the traditional understanding of TA, or of how funding is to be used in practice. Furthermore, in order to ensure that TA funding provides added value, it should not replace the administrative expenditure that would anyway be incurred by national or EU administrations in their day-to-day management of public support schemes.

25

Therefore, although the current rules do not universally prohibit TA funding for administrative costs, the Court considers that such use should be fully justified and transparent. It was in this light that we examined how money for TA has been disbursed and whether there is a clear common definition for use which ensures the added value of the supported activities.

A problem of clarity

26

In EU law, the only formal definition of TA appears in the context of public procurement from the general budget: '[…] support and capacity-building activities necessary for the implementation of a programme or an action, in particular preparatory, management, monitoring, evaluation, audit and control activities'[13]. Before 2013 there was no such definition anywhere in the financial regulation, and none in the regulations which formed the legal basis for the 2007–13 CAP.

27

For the audited period, the notion of TA was itemised as part of 'other financing' of 'the preparatory, monitoring, administrative and technical support, evaluation, audit and inspection measures required to implement the common agricultural policy, including rural development' (Article 5 of the CAP financing regulation)[14]. This list is notable for the omission of 'capacity-building'. It recurs twice — each time slightly differently — in Article 66 of the EAFRD regulation in relation to TA funding in rural development by, respectively, the Commission and the Member States (see paragraph 12). There it is the non-specific term 'administrative support', or 'management', which allows TA to be applied, if necessary, to administrative costs. Provided there is a programme link, the responsible authorities essentially have licence to use TA funding in any way they choose.

12 Article 1(4) of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the CAP (OJ L 160, 26.6.1999, p. 103) (fully repealed end 2006) stated: 'Expenditure relating to administrative costs and personnel borne by Member States and by recipients of aid […] shall not be taken over [by the EAGGF]'.

13 Article 121(7) of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

14 The wording used in Article 6 of the 'new' CAP financing regulation (Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549)) is clearer but not substantially different.

28
The absence of a clear and restrictive definition hinders the setting of targets and measurable objectives and thus reduces the degree of accountability. By blurring the distinction between operational and administrative costs, it is also damaging to budgetary transparency. Finally, greater freedom of choice has resulted in a lack of rigour about the goals of funding and how it can be used.

At the Commission, a shift towards administrative costs

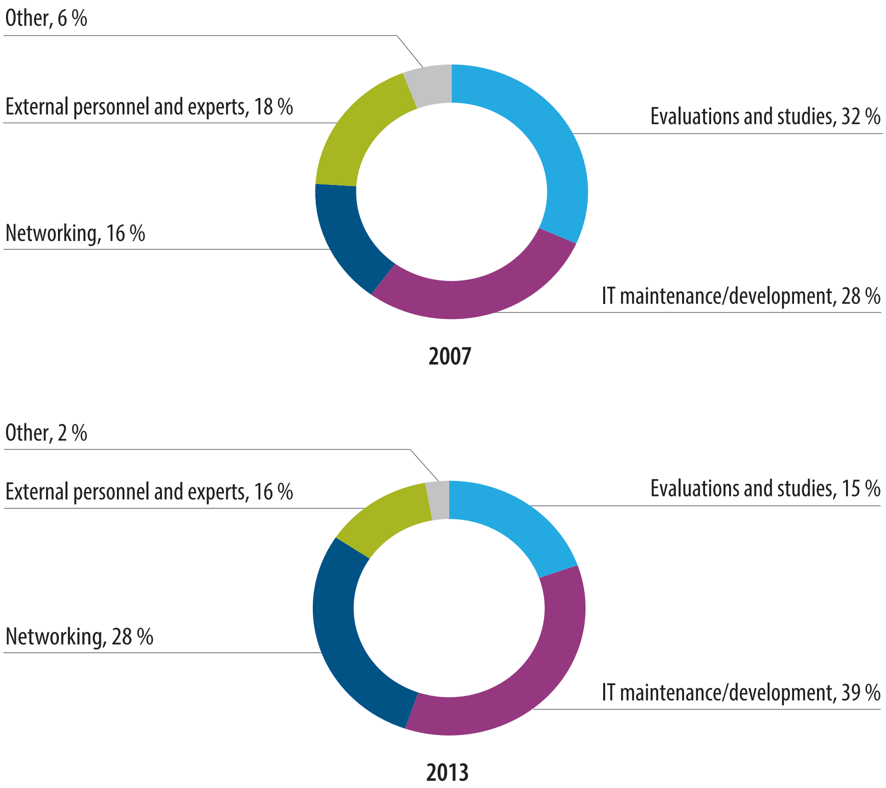
29
The regulations do not set an upper limit on the Commission's use of TA funding under Pillar I. For Pillar II, the available amount is capped at 0.25 % of the total EAFRD allocation and can be spent on a wide range of activities related to rural development operations, including 'administrative support'. Beyond the requirement to establish a European Network for Rural Development (ENRD), the EAFRD regulation does not more closely define those activities.

30
The Commission has largely refrained from going beyond the broad definitions given in the CAP financing and EAFRD regulations and has not developed comprehensive guidelines as to the nature of operational TA activities. The only such parameters have been set in connection with public procurement and with the funding of IT and audit expenditure. At the central level, the responsible Commission services have drawn up general rules (a 'vademecum') for the financial management of CAP expenditure, but these do not clearly explain the distinction between Pillar I and Pillar II eligible TA expenditure and general administrative costs.

31
The largest share of the Commission's internal TA allocation during 2007–13 was spent on operational, or capacity-building, activities (mainly under the headings of networking, external consultancy, evaluations and IT). In 2007, the total value of commitments was 12.78 million euro, while the figure for 2013 was 71 % higher, or 21.9 million euro. At the same time, the balance between different TA activity areas altered. The budgets for evaluations and consultancy remained fairly stable in absolute terms, but far more was committed to IT and networking. The relative shares taken by these spending categories in 2007 and 2013 are shown in ***Figure 1***.

Figure 1

Charts comparing DG Agriculture and Rural Development use of TA in 2007 and 2013 (commitments made)



Source: ECA on the basis of detailed budget data from DG Agriculture and Rural Development.

32

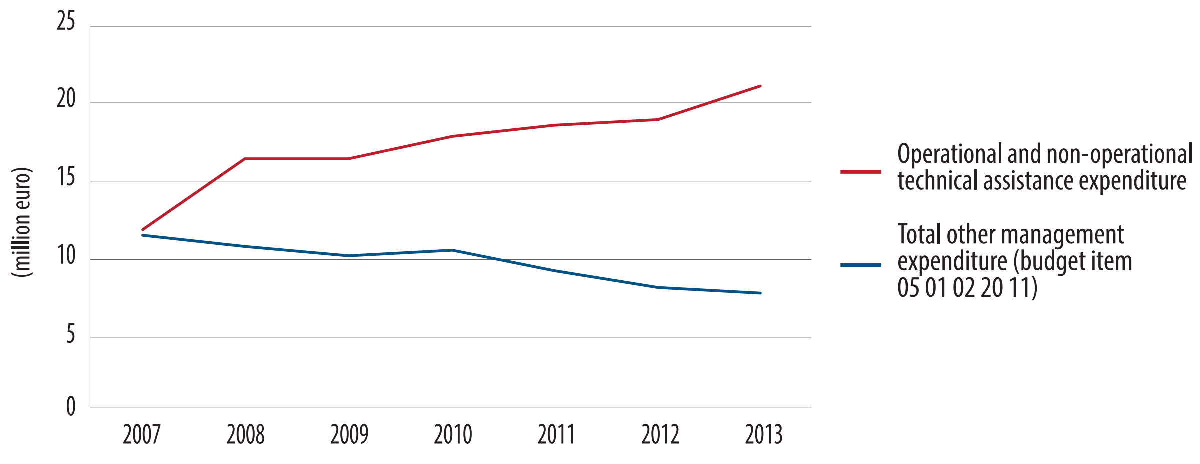
Whereas the introduction and development of IT systems for specific purposes can easily be qualified as TA linked to capacity-building, it is harder to categorise regular IT maintenance costs in this way. This is because IT maintenance is a necessary management cost rather than a programme-specific tool, and as such it was previously financed exclusively from the administrative budget. Now, although the information available from the Commission does not permit a clear breakdown between IT maintenance and IT development, there are clear indications of a trend towards greater TA financing of non-operational IT costs. This is discussed below.

33

In recent years, firstly, there has been a decline in the area of 'Other management expenditure' (administrative costs which are not programme-specific and therefore cannot be financed from a TA budget line). The Commission, as a whole, steadily reduced its annual 'other management' commitments from just under 180 million euro in 2007 to below 145 million euro in 2013 — a cumulative fall of over 20 %. As shown in ***Figure 2***, the fall was even steeper in agriculture and rural development. However, it was more than balanced over the same period by the increase in total TA expenditure (EAGF and EAFRD, operational and non-operational), which went from near-parity in 2007 to nearly three times as much as 'other management' expenditure by 2013.

Figure 2

Inverse trend in DG Agriculture and Rural Development spending on technical assistance compared with 'other management' items



Source: ECA, from figures in the 2007–13 general budgets.

34
Secondly, from 2014 the Commission decided to finance its IT system in agriculture and rural development entirely from the TA allocation, citing this goal of a 'constant decrease in the usage of the administrative budget'[15]. As IT maintenance is generally non-operational or not programme-specific, the decision amounts, in effect, to formal recognition that general administrative expenditure is eligible for TA spending.

35
Assigning IT maintenance and other essential costs to budget headings which do not reflect their true nature blurs the distinction between what is administrative and what is operational, which has an adverse impact on budgetary discipline. At the Commission, it has reduced transparency about the nature and benefits of TA spending and contributed to false economies.

In the Member States, an emphasis on payroll

36
In rural development, the TA funding made available before 2006, through Sapard and the EAGGF, focused on capacity-building for national authorities. The underlying principle of support was that establishing and developing domestic capacity would allow funding to be reduced over time. For 2007–13, however, overall funding rates were increased, Member States were given more control over their own TA spending and the rules were relaxed, making it possible to finance costs that had not previously been eligible, such as day-to-day administration and payroll. As a result, the money available was used very differently to the early 2000s.

37
Just as, internally, the Commission has made the most of a situation of great flexibility, where Member State spending is concerned, it has adopted a 'hands-off' policy. By offering little or no detailed guidance in this regard, it has endorsed the Member States' use of TA co-financing for a wide range of non-operational expenditure.

38
Under Pillar II (the EAFRD), Member States are entitled to use up to 4 % of total programme funding to cover their TA needs. Certain Member States opted to budget for a significant proportion of this maximum percentage for 2007–13. Denmark, Estonia, Latvia, Lithuania, Hungary and Malta set a rate at or near the maximum, and the rate also exceeded 3 % in Sweden. Details for all Member States are given in the ***Annex***, which also shows that, for the 2014–20 period, a majority of Member States have increased their allocation to TA, some of them by a substantial margin.

15 DG Agriculture and Rural Development, 2013, Information technology master plan, p. 12.

39

Figure 3 shows the budget planning of the Member States visited in the course of the audit for the three most common spending categories in RDPs, which correspond to the activities named in the EAFRD regulation[16].

40

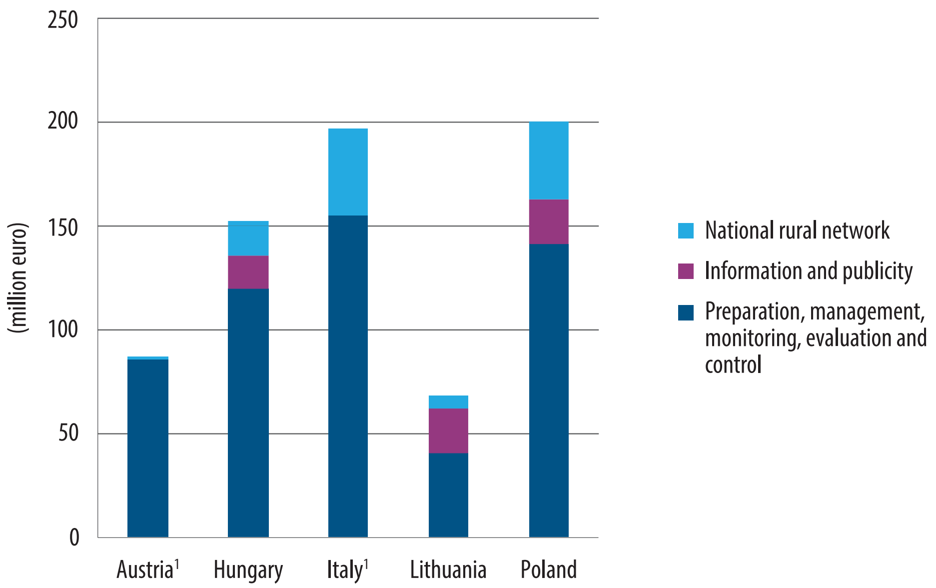
The category 'Preparation, management, monitoring, evaluation and control' is of particular interest. It includes many types of administrative expenditure, mainly payroll. And in the Member States, as at the Commission, there is a growing tendency, wherever legitimate, to take up the burden of an increasingly straitened staff and administrative budget from alternative sources.

41

Four of the five Member States explicitly reported administrative costs as making up the largest share of their actual spending on TA. In Lithuania, during 2007–13, this heading accounted for 51 % of total TA expenditure, in Poland and Hungary the corresponding figure was over 60 %, and in Austria it was just below 95 %. In Italy, where many TA managing bodies are external public-sector consultants, administrative spending (which covers the costs of IT and technical and administrative support staff) was often included as part of the 'capacity strengthening' category. High levels of administrative spending thus occur across the board, even in Member States where the overall TA commitment rate is comparatively low — the share of administrative costs is larger in Poland (where the TA funding rate was 1.49 %) than in Hungary (3.94 %).

16 Articles 66(2) and 66(3).

Figure 3 Planned TA spending by five Member States for 2007–13 (EAFRD co-financing)



[1] No consolidated data available on information and publicity at MS level.

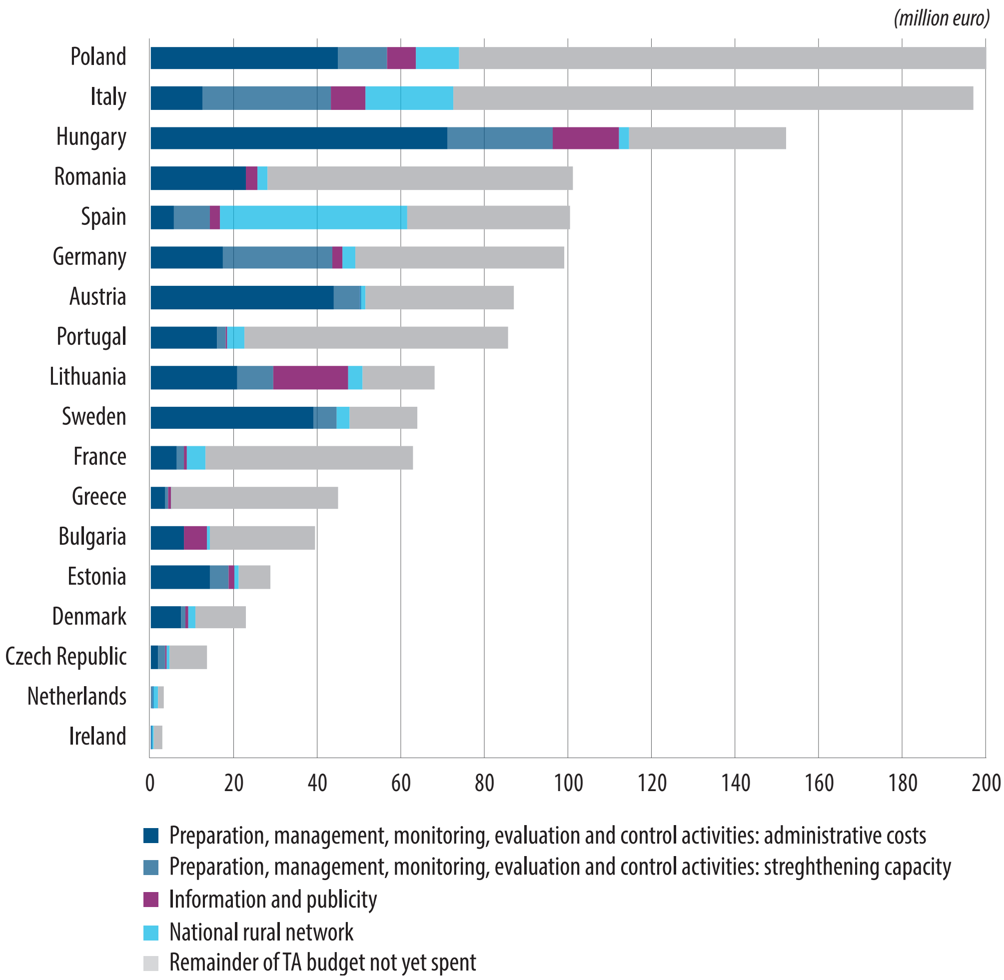
Source: RDPs and data supplied by the Member States.

42
Figure 4 gives a summary of actual spending from the EAFRD in the five countries visited, plus other Member States which responded to the survey[17]. It shows the same three main groups of activities as in ***Figure 3***, but with the category 'Preparation, management, monitoring, evaluation and control' broken down into two parts. This allows a more precise understanding of 'administrative costs', which here include staff pay and related charges, office overheads and other running costs, but exclude the costs of evaluations, training and IT. Similar costs may also occur as a component of 'Information and publicity' and 'National rural network' expenditure, in the second case up to a ceiling of 25 % of funding[18].

17 Bulgaria and Romania did not in fact reply to the survey, but the necessary information was available in these countries' RDPs and in spending breakdowns provided by the Commission.

18 Article 41(2) of Regulation (EC) No 1974/2006.

Figure 4 **TA spending in various Member States by category (2007–13, EAFRD co-financing)**



Note: The figures for Spain, Germany and Italy, which each have a system of regional RDPs, are extrapolated from the data provided by the regions which responded to the survey. Coverage was anyway considered to be sufficiently representative in each case (Spain 95 %, Germany 85 %, Italy 77 %).

43

The results of the survey confirm what was found in the five audited Member States: when setting the eligibility criteria for TA funding, the competent authorities generally interpreted the regulatory provisions in a very flexible manner.

44

This broad understanding of TA is by no means specific to agriculture and rural development but also occurs in other areas of EU funding. A recent report for the Commission[19] on the financing of payroll from the Structural Funds concludes '… all Member States have used TA to co-finance staff. More precisely, the majority of the Member States uses TA to co-finance mainly salaries.'[20]

45

At the start of the period, payroll already accounted for a large part of the TA funding used by Member States from the EAFRD and, in many cases, that share subsequently increased further. In Poland, for example, appropriations to management (mainly staff) costs rose sharply in 2013 by transfer from information and rural network actions. From mid-2009 Lithuania gradually included the salaries of staff only partly assigned to implementation of the RDP in the TA allocation, with the express objective of relieving the burden on the national budget. From no part-time staff in 2008, by the end of 2012 almost 75 % of all staff funded in this way were also engaged on other tasks unrelated to the RDP. Where it is used to finance the payroll of staff already in post, TA effectively amounts to budget support. The problems this raises are considered below.

The opportunity cost of TA funding

46

Given the loose definition of TA and the costs associated with running the CAP funds (see ***Box 1),*** it is hardly surprising that Member States, like the Commission, have increasingly committed their TA spending to administrative costs which are ancillary to rural development funding or fall within non-operational budgets. The problem is that it is inherently difficult to gauge the value for money of such costs, or to demonstrate that using TA funding in this way contributes usefully and efficiently to the impact of the 'larger envelope' of rural development aid.

47

The greater the share of overall EAFRD funding assigned by the Member States to TA activities, the less the money available for the core measures in rural development, where there is more immediate benefit to farmers and rural communities. Where TA amounts to no more than budget support, that expense is, in effect, borne by final beneficiaries.

19 Metis GmbH, *Co-financing salaries, bonuses, top-ups from Structural Funds during the 2007–13 period*, Publications Office of the European Union, Luxembourg, 2014.

20 Ibid., p. 67.

48

In one sense, given the variations in co-financing rates, the risk is greater for the needier beneficiaries of EU funds. For 2007–13, the EAFRD contribution ceiling was 50 % in Austria and northern Italy but 75 % in 'Convergence' regions, which included Lithuania, Hungary and Poland. The prospect of a 3:1 contribution ratio can give Member States an additional incentive to spend, but some of the potential advantage is lost if a significant percentage of co-financing is diverted to non-operational purposes.

49

Use of EU funds in this manner, though relatively minor in percentage terms, diverts substantial sums from the key objectives of funding. Allowing administrative costs under TA places both the Commission and the Member States in a position of conflict of interest. As managers of the CAP, they decide how much should be spent on different measures, including TA, with the aim of achieving the best value for money. At the same time, as beneficiaries of TA paid in respect of administrative expenditure, they have an incentive to maximise payments towards the necessary costs of programme management (see ***Box 1).***

Box 1

Technical assistance and the costs of programme management

Implementation of both the EAGF and the EAFRD entails a certain administrative outlay. At EU level, as well as setting up and managing the funds, the Commission was required to establish the ENRD, which is explicitly linked to TA spending.

In the Member States, the national and/or regional authorities were charged with implementing a panoply of measures which may necessitate new administrative arrangements. The basic legislation governing the CAP requires them to do everything in their power to protect the Union's financial interests. To that end, compulsory measures were specified in the EAFRD regulation under sections headed 'Management and control', 'Information and publicity', and 'Monitoring and evaluation'. Together with the requirement for local development strategies, local action groups and national rural development networks, those measures exposed Member States to substantial costs in connection with the delivery of aid, as illustrated hereunder.

In its activity report for 2013, DG Agriculture and Rural Development summarised the Member States' reporting of their total spending on checks and controls of Pillar I and Pillar II certified payments[21]. Under Pillar I, the costs of control bodies (including payroll, training, maintenance and building expenses) accounted for approximately 5.13 % of total spending on EAGF measures. There is next to no TA provision for Member States under Pillar I, so this amount cannot benefit from any EU co-financing. Under Pillar II, the corresponding figure calculated on the basis of the Member States' reports was 8.13 %. In these circumstances, the incentive to recover the maximum amount under TA is strong, and has led certain Member States to set their budgets at or close to the 4 % ceiling.

21 http://ec.europa.eu/atwork/synthesis/aar/doc/agri_aar_2013.pdf

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In adding to Member States' autonomy, the current TA arrangements have thus strengthened their reliance on EU money, which is increasingly used in areas with no clear impact on strengthening and developing capacity. During the audit, the Polish and Lithuanian authorities expressed dissatisfaction with the imprecision in the rules, as well as an interest in receiving further guidance from the Commission on more efficient and effective ways of using TA.

51

The current high allocation rate of TA funds to administrative costs looks set to endure through the 2014–20 period. Four of the five Member States visited explained that they still see TA essentially as a tool with which to finance the basic implementation structure of their RDPs[22]. Moreover, TA now represents a greater overall proportion of total spending. As can be seen from the ***Annex,*** although the aggregate rural development budget for all Member States is smaller in the new period, the total amount earmarked for TA (1.9 billion euro) is 24 % higher.

Are the costs eligible?

Some formal ineligibility at the Commission

52

At the Commission, the Court examined 20 DG Agriculture and Rural Development projects from the audited period in all areas of TA. Four projects were found to contain irregularities, in each case because incorrect use was made of the EAGF non-operational budget. Three of the four (51 500 euro for the purchase of 40 laptops, 10 000 euro for the purchase of software licences and 13 800 euro for a firewall maintenance contract) were exclusively assigned to the EAGF although they were also of benefit under Pillar II. Since non-operational expenditure must be programme-specific to qualify for TA funding, these costs should have been divided proportionately between the EAGF and EAFRD budgets. The fourth item was a TA grant of 278 000 euro paid to the OECD, which was also included under the EAGF budget although previous payments under the same grant agreement had been funded — correctly — from the general CAP coordination chapter.

53

All procurement relating to the 20 selected projects was free of any major non-compliance issues. Procedures were correctly chosen and advertised and then implemented as statutorily required.

22 The exception is Hungary, which has decided to limit its TA funding for 2014–20 to the operation of the national rural network and related activities, at a total rate of 2.4 %. All other rural development financing needs are to be met from the national budget.

More frequent problems in the Member States

54

The audit revealed many cases of irregular funding from Pillar II TA in the five audited Member States. Of the 91 TA projects reviewed, ineligible or partly ineligible expenditure was found in 35. The main problems relate either to the use of funding for activities shared by both pillars (and thus not eligible in full) or to issues with contracting and procurement. Some projects had both types of irregularity.

Some Member State activities not exclusive to Pillar II

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As already noted, Article 13 of the CAP financing regulation expressly prohibited any funding for administrative and staff costs in connection with the EAGF (Pillar I). In the Member States, however, we found that 25 of the audited projects included TA payments made under Pillar II for administrative costs actually incurred in connection with Pillar I or for activities otherwise unrelated to the EAFRD. The risk of this occurring is particularly high where purchases or projects are shared between Pillar I and Pillar II. In such cases, part of the expenditure is of course ineligible and should not be co-financed.

56

The examples in ***Box 2*** show that there is a risk of irregular expenditure because of deficiencies in record-keeping, the use of coefficients or other administrative procedures linked to what is an overly complex, and somewhat arbitrary, distinction between expenditure in two very similar areas of activity. All else being equal, it is unclear why administrative and staff costs should be disallowed under Pillar I but not under Pillar II.

Box 2

Risk of ineligibility where costs are shared with Pillar I

Most examples of cost-sharing concerned the remuneration of staff handling both RDP and non-RDP activities, especially where there was insufficient evidence to justify the proportion of pay charged to Pillar II. In Lithuania, it could not be shown that the coefficients used to assign costs to RDP duties were accurate, and therefore the eligibility of expenditure claims could not be verified. In Hungary, staff costs were meant to be eligible only in respect of officials assigned full time to activities specifically linked to the 2007–13 RDP. However, some staff handling TA were employed in departments with regular duties going beyond the RDP (ministerial secretariats, financial and legal units), but with no real assurance that they were engaged full time on RDP activities. Similar cases to these were found in Poland and Austria.

Another area of shared Pillar I and Pillar II costs is the purchase or maintenance of IT equipment or software. In Poland, the coefficient used to apportion IT maintenance spending to rural development activities at the paying agency was at least four years out of date. In Italy, it was not clear that video-conferencing equipment purchased by the Ministry of Agriculture and charged solely to the EAFRD was exclusively for Pillar II use.

A final shared area concerns cross-compliance checks[23], where, if no clear distinction is made by type of support, it is possible for action taken under the EAGF to benefit from funding intended exclusively for the EAFRD. In Austria, the coefficient used to attribute cross-compliance inspection costs to SPS claims (ineligible) as compared with agri-environment claims under rural development (eligible) was not updated each year. In 2011 this initially resulted in an overpayment of 15 600 euro from the EAFRD.

23 'Cross-compliance' is the requirement that farmers receiving direct payments under Pillar I should meet basic environmental, food safety, animal and plant health and animal welfare standards. It also applies to most Pillar II environmental payments.

Procurement irregularities

57
The audit revealed many problems with contracting and procurement practices in the Member States (affecting 17 of 51 audited procurement procedures, mainly in the area of information and publicity activities). The issues that arose included the use of direct negotiation rather than competitive tendering to award contracts, in contravention of the provisions on transparency, equal treatment and non-discrimination in the Procurement Directive[24] and, in some cases, the relevant national rules. Use of the wrong procedure not only breaches EU and/or national law; it also subverts the open market rules, discriminates against other potential contractors and may result in overspending.

24 Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114).

Box 3

Examples of procurement irregularities

Use of the wrong procedure

In Italy, two travel agency services (worth 170 000 and 130 000 euro respectively) were purchased by direct negotiation, in contravention of the national rules stating that contracts exceeding 40 000 euro must be open to competition.

In Poland, direct negotiation was used without justification to conclude contracts with a subordinate government department (hotel, catering, conference and training services) and with a previous contractor (IT services delivered to a government agency).

Overpricing of contracts

In Hungary, a complex framework contract with an events organiser was awarded in 2008 on the basis of unit prices which would still have been too high even six years later. The overpriced contract was subsequently terminated two years early.

Tender specifications an obstacle to transparency and equal treatment

In Italy, the audit revealed multiple instances of public calls for tender with limited or imprecise information concerning the technical criteria which would be taken into account when an award was made. This made it difficult for competent but inexperienced tenderers to formulate their bids correctly, and it also complicated the task of assessing the relative merits of bids and justifying the final award decision.

Control systems poorly applied

58

Notwithstanding the comments in paragraph 56, we found that the Member States' systems of controls to determine whether costs were correctly assigned to Pillar II did not function properly. In many cases where the Member States had specified coefficients or other calculations to establish the division of costs between the EAGF and EAFRD, the formulae were not systematically applied or were updated on an irregular basis, yet no checks had identified these failings for correction. In this regard it is encouraging to note that, since the audit, the Commission has reinforced the rules governing Member States' checks of TA expenditure[25].

59

In much the same way, the vast majority of projects in which we identified procurement irregularities had already been subject to administrative checks by the relevant national authorities. Inasmuch as these checks had not identified the shortcomings detected by the ECA, they were revealed to be ineffective. Once again, in response to the need for action to improve the efficiency of Member States' management and control systems for TA, the Commission has already reported that it is drafting guidance on public procurement for the 2014–20 period.

How suitable is the performance framework for TA?

60

The preamble to the financial regulation establishes economy, efficiency and effectiveness as the core principles of sound financial management in all areas of budget spending. To safeguard these principles, SMART[26] objectives must be set for each sector of activity and monitored by means of performance indicators, leading to annual 'activity statements'. The institutions (in this case the Commission) are required, finally, to make *ex ante* and *ex post* evaluations.[27]

61

In the context of shared management, the above tasks are delegated to the Member States, which are responsible for ensuring that funds are used in accordance with the applicable rules and principles.[28]

62

The use of all CAP funding is therefore tightly regulated by requirements relating to guarantees on the appropriateness of expenditure. The audit revealed that the implementing authorities frequently exclude TA from the scope of these rules. However, as explained in ***Box 4,*** the obligations in the financial regulation are equally valid for TA as an activity in the 'Agriculture and rural development' policy area.

25 Article 62 of Commission Implementing Regulation (EU) No 809/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross compliance (OJ L 227, 31.7.2014, p. 69) expressly places Member States' TA expenditure under the general requirement for administrative and on-the-spot checks and reporting. It also emphasises independence by stipulating that control bodies must be 'functionally independent' from the bodies authorising payment.

26 'Specific, measurable, achievable, relevant and timed'.

27 The principles and rules in this paragraph are covered by Article 27 of the 2002 financial regulation.

28 See Article 53b of the 2002 financial regulation.

Box 4

Is TA an activity or just a tool?

The audit generally found that the responsible authorities consider TA, as a source of administrative support for essential funding operations, to be exempt from the regulatory requirements on performance. For Austria, TA is purely and simply a tool for implementing the RDP, and the only yardstick for its effectiveness is programme success. In this view, TA cannot be planned and cannot be assigned objectives or indicators, which more properly belong to the core measures[29] to which it contributes. For the Commission, presenting TA as a separate consolidated activity in its own right would make it difficult to assess the input made in each rural development activity area.

This reasoning, which casts TA funding as somehow passive and not part of the operational performance framework, is contradicted by the regulations. Article 66 of the EAFRD regulation calls TA both an 'activity' and a 'measure', and Article 2(d) defines 'measure' as 'a set of operations contributing to the implementation of an axis'. Moreover, given the volume of funds committed to TA spending, particularly in the Member States (over 1.5 billion euro), it is essential to have clarity that it is soundly managed and contributing to programme implementation. This can best be achieved by correctly planning, monitoring and evaluating its specific impacts.

29 As described in Title IV, chapter I, of the EAFRD regulation. TA is dealt with in Title IV, chapter II.

63

Although TA is a small part of global spending, it represents a significant amount of money over the programming period and needs to be duly accounted for. Despite assurances from the Commission and the Member States that their TA spending on non-operational costs is both necessary and proportionate, and that it makes a valuable contribution to programme success, by and large, no performance framework exists to demonstrate that this is the case. The field is characterised by inadequate multiannual planning, no proper needs assessment, imprecise objectives (thus not SMART), and no performance-oriented monitoring and evaluation of TA programmes (instead financial aspects are given the greatest weight).

Poor planning and assessment of needs

64

So that objectives can be developed and targets set appropriately, it is important to perform an initial needs assessment and plan for the medium and long term. This is, moreover, part of the *ex ante* evaluation procedure laid down in the EAFRD regulation[30].

65

At the Commission, one upshot of the perception of TA spending as administrative support is that it is largely considered to be annual expenditure. In almost all activity areas (with the exception of studies and evaluations and the ENRD), there was neither an initial needs assessment for the period nor multiannual planning of the use of funds. This meant, in some cases, that budget allocations were renewed from one year to the next without confirmation whether the (short-term) need expressed some years previously was still valid. Moreover, without a proper needs assessment, implementation can become random and unfocused.

66

The EAFRD regulation required Member States to undertake an *ex ante* evaluation of their RDPs so as to 'identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management.'[31]

67

Just like the Commission, the five Member States generally omitted TA from their multiannual rural development needs assessment. The main consequence of this policy came in the form of unstable TA budgets subject to change by administrative decree. Even in Poland, which did produce a TA needs assessment for one component of its RDP, the initial budget was significantly underestimated. In keeping with its hands-off approach to Member State spending under this heading, the Commission accepted the necessary programme amendments without reservation.

30 Article 85.

31 Article 85.

Objectives far from SMART

68
The purpose of SMART objectives is to target funding more precisely and thus achieve specific ends more efficiently. Objectives that are SMART also provide a clearer framework for monitoring and the evaluation of results.

69
Because of its inadequate planning and needs assessment, the Commission generally failed to develop SMART objectives for TA funding. TA does not appear in DG Agriculture and Rural Development's detailed annual management plans summarising the department's objectives and indicators for the coming year — even though the projects and actions supported by TA funding are included in those plans. Nor do the operational financing decisions prepared by the DG have SMART objectives or indicators for TA projects, which are treated in the same way as the Commission's general administrative expenditure. The only exception is the area of evaluations and studies, which, as already noted, benefit from multiannual planning and have SMART objectives which are built into the requirements of the relevant specific regulations.

70
In the Member States, little was done to develop specific TA objectives. The lack of multiannual planning in discrete areas of TA activity (e.g. national rural network information and communication measures) hindered transparency and the definition of objectives. Nor did it help that there was no clear distinction between individual TA activity areas, or between them and other similar activities unrelated to the aims of the EAFRD. Of the five Member States visited, only Italy went beyond the general scope of the regulations. However, even in Italy the objectives were unquantified and lacked a time horizon.

Box 5

Examples of inadequately-worded objectives from the programming documents of Member States

The Lithuanian objectives included the following: 'to ensure appropriate preparation, efficient implementation and evaluation of the programme […] to ensure the appropriate presentation of and publicity for information […] to ensure accessibility of information'.

The Polish objectives were essentially limited to a recital of the activities covered by Articles 66 and 68 of the EAFRD regulation. Thus, although in line with the regulatory requirements, they did not specify the anticipated results or impacts of TA, or address how TA performance is to be measured.

Limited monitoring and evaluation

71
The financial regulation makes certain stipulations for the Commission's monitoring and evaluation activities. Essentially, annual reports are to be issued to the budgetary authority on the achievement of objectives assessed against performance indicators[32].

72
In rural development[33], the key points for 2007–13 included the requirement for a common monitoring and evaluation framework (CMEF) between the Commission and the Member States, with a limited number of indicators common to all RDPs. Each Member State was also expected to set additional indicators allowing the progress, efficiency and effectiveness of its RDP to be measured at all stages of implementation. There was to be an annual progress report to the Commission, and also *ex ante*, mid-term and *ex post* evaluations of programme quality, efficiency and effectiveness.

73
The CMEF was established as required. In line, however, with the view that TA is not subject to performance requirements, it was not mentioned in general guidance on the CMEF and was also absent from the description of measures and common indicators.

74
At the Commission, therefore, the monitoring and evaluation of TA funding are just as limited as the planning of TA. There are no criteria making the link to overall programme performance, but there is an overwhelming focus on financial and other purely administrative aspects, such as respect for expenditure ceilings and contract execution deadlines.

75
The situation is very similar in the Member States, again because TA does not appear in the CMEF. The Commission's monitoring of Member States' RDPs is limited to checks of budgetary implementation and compliance with the 4 % ceiling. The Member States' own principal monitoring tool is the annual progress report each produces on its RDP, but the annual progress reports on three of the six RDPs examined contained no evaluation of TA. Where such an evaluation was given, moreover, the lack of performance and impact indicators or clear guidelines for presentation limited the scope of monitoring to the financial execution.

32 Article 27(3) of the 2002 financial regulation.

33 Articles 77 to 87 of the EAFRD regulation.

The impact of an inadequate performance framework

76

It is for the Commission, as the body responsible for the execution of the EU budget, to guarantee sound financial management of the EAFRD. This task includes offering strong guidance on the efficient and effective use of TA. However, by not defining its own TA needs as part of a performance framework, and by not insisting that the Member States do likewise, the Commission has deprived itself of a tool for assessing the global impact of TA spending and thus targeting funding where it will be most beneficial.

77

A performance framework would also be useful as a basis for proposing TA solutions to specific problems that might arise with the EAFRD. When, in 2011 and 2012, the Commission invited all Member States to develop action plans for reducing the unacceptable error rate in rural development, an opportunity was lost to identify TA as a means of facilitating or supporting remedial action.

78

To the extent that the elements of planning, monitoring and evaluation required by the financial regulation are in place at the Commission and in Member States, they cover operational activities rather than the administrative expenditure which now accounts for the largest share of TA budgets. One key reason is that it is very difficult to plan and assess the contribution of payroll, for example, to overall programme performance. This type of spending is far less compatible than operational expenditure with the need to demonstrate compliance with the principles of sound financial management.

Networking: potential for an effective performance framework

79

The ENRD[34] is the only component of TA at the Commission to be explicitly defined in the EU's agriculture and rural development legislation. The ENRD has clear aims linked to the consolidation and strengthening of rural development practices and capacity throughout the Union.

80

One of the ENRD's tasks is to support national rural networks (NRNs) in the Member States, which are also funded from TA[35]. An absolute ceiling of 25 % of each NRN's allocation was established for the necessary administrative structures[36], with the remainder to be spent on an action plan containing specified information and capacity-strengthening activities[37].

34 Established in accordance with Article 67 of the EAFRD regulation.

35 Under Article 68 of the EAFRD regulation.

36 Article 41(2) of Regulation (EC) No 1974/2006.

37 '[…] at least the identification and analysis of good transferable practices and the provision of information about them, network management, the organisation of exchanges of experience and know-how, the preparation of training programmes for local action groups in the process of formation and technical assistance for inter-territorial and transnational cooperation.'

81
In the case of both the ENRD and the national networks, therefore, the legislation set more precise guidelines as to the uses of TA funding, with a clear distinction between what is operational and what is not. Most network spending is theoretically compatible with a performance framework, which should make it easier to ensure the coherence of TA activities in this area and should facilitate evaluation and verification in line with the general principles of sound financial management.

82
However, network activities were often characterised by the same incomplete planning, monitoring and evaluation as TA in rural development as a whole. Generally speaking, their impact is hard to assess — although an exception can be made for the Italian NRN (see ***Box 6),*** which is in some respects a model for TA planning and operation.

Box 6

The Italian NRN[38] as an example of a functioning performance framework

The audit found that the Italian NRN has largely achieved its global operational objectives (improved governance, managerial and administrative capacity-building, the sharing of knowledge and good practices), and that it has offered effective coordination and support for Italy's regional RDPs (through data collation and consultancy) while also promoting transnational cooperation. The NRN has a popular website and organises a varied range of initiatives and events. Its communication activities are very broad-based (including a web community for young farmers and school projects). To identify and promote good practices, video competitions have been organised for young farmers, and the winners' work has been uploaded to the NRN website.

The NRN's achievements and success with its stakeholders are due in part to detailed planning of operational outputs. The NRN is then monitored and evaluated against a range of indicators accompanied by target values. A set of output indicators (e.g. meetings held, guidelines published) relate to specific programme actions, while result indicators (customer satisfaction rates, dissemination of good practices) and impact indicators (number of key players involved in governance, public perception of the visibility of RD policies) have been established for the NRN as a whole.

Finally, the NRN programme takes account of the *ex ante* and ongoing evaluations of TA funding. All the recommendations made in 2010 by the independent mid-term evaluator concerning the need for an indicator framework common to all TA actions were taken up by the Italian authorities with a view to improving the quality of monitoring.

38 Italy is one of a handful of Member States with a system of regional RDPs. What this means is that the NRN doubles as a coordination and support body for the regions in all areas of rural development policy, not just as a TA measure. It is therefore subject, as if it were a national RDP, to the requirements of the CMEF.

Conclusions and recommendations

83

Overall, the Court concludes that owing to the absence of a suitable performance framework for TA expenditure in agriculture and rural development, neither the Commission nor the Member States are able to demonstrate how well TA has contributed to the general policy objectives of the CAP.

84

Despite the significant amounts involved, the legislative framework does not clearly define TA, and the rules are vague about how it can be used. The audit showed that the Commission and the Member States have taken full advantage of this situation. However, the freedom of choice has resulted in a lack of rigour (paragraph 28). The Commission has not developed comprehensive guidelines on TA funding, either internally or for the Member States (paragraphs 30 and 37).

85

At the Commission, the distinction between operational expenditure and general administrative costs has become blurred. Spending on IT maintenance in particular is an increasingly prominent part of the TA budget (paragraphs 32 to 35). Meanwhile, four of the five audited Member States reported administrative costs as making up the largest share of their spending on TA, with an emphasis on payroll. In situations where the staff concerned would be required in any case to implement policy, this use of TA effectively amounts to budget support. It is now standard practice in many EU policy areas to fund payroll from TA (paragraphs 39 to 45).

86

The absence of a clear distinction between operational and administrative costs, and the lack of clarity as to the nature of activities that TA is supposed to cover, reduce budgetary transparency and hinder scrutiny of how budgets are spent (paragraphs 26 to 28).

87

The audit revealed some formal ineligibility at the Commission, owing to the incorrect assignment of costs to budget (paragraph 52). In the Member States, the main problems relate either to the use of funding for activities shared by both pillars (and thus not eligible in full) or to issues with contracting and procurement (paragraphs 54 to 59). Nonetheless, the Court concludes that most TA expenditure meets the flexible eligibility criteria currently in force.

88

The Court found that, in practice, administrative costs such as payroll or IT frequently relate to both pillars of the CAP. The fact, therefore, that they are eligible under Pillar II only (in the Member States) or, proportionately, under both Pillar I and Pillar II (at the Commission) creates a need for burdensome procedures to justify the way costs are allocated (paragraphs 52, 54 to 56).

89

Moreover, it is inherently difficult to gauge value for money in the context of administrative costs. Thus, although the absorption of such costs by TA is likely to contribute in some ways to achievement of the policy objectives of the CAP, it is virtually impossible to make a reliable assessment of this contribution and, in particular, to demonstrate that this form of TA spending represents better value for money than direct spending on the core CAP measures (paragraphs 46 to 48).

90

Additionally, allowing administrative costs under TA puts both the Commission and the Member States in a position of conflict of interest. As managers of the CAP, they decide how much should be spent on different measures, including TA, with the aim of achieving the best value for money. At the same time, as beneficiaries of TA paid in respect of administrative expenditure, they have an incentive to maximise payments towards the necessary costs of programme management (paragraph 49).

Recommendation 1

The Commission should clarify the scope and application of TA. In particular, it should clarify the distinction between operational/'capacity-building' expenditure and eligible administrative/'budget support' costs, notably in the case of payroll.

Such clarification would improve transparency about the ways funding can be used. The Commission should closely monitor the Member States' implementation of TA.

Recommendation 2

The Commission should also take appropriate measures to ensure that general administrative expenditure such as regular IT maintenance is not charged to TA budget lines.

Recommendation 3

The Commission should, in future, require Member States to report administrative/'budget support' costs for rural development separately so as to make it more transparent that part of TA funding is spent on such support.

91

The Court found that neither the Commission nor the Member States have established a suitable performance framework to demonstrate the necessity and effectiveness of TA funding. The imprecision with which TA was cast in the regulations for 2007–13 allowed managing authorities to exclude it from this essential aspect of sound financial management. Because the bulk of TA spending is not operational, it is largely considered to be annual expenditure and did not appear in the common monitoring and evaluation framework. As a result, it is characterised by inadequate multiannual planning and lacks a proper needs assessment, leading to imprecise objectives and no performance-oriented monitoring and evaluation (paragraphs 60 to 75).

92
By not defining its own TA needs as part of a performance framework, and by not insisting that the Member States do likewise, the Commission has deprived itself of a tool for assessing the global impact of TA spending and targeting funding where it will be most beneficial. The potential effectiveness of TA funding is thus severely compromised (paragraphs 76 to 78).

93
The Court found that the arrangements for networking afforded greater compatibility with the elements of a performance framework, through more precise guidelines as to the uses of TA funding and a clear distinction between what is operational and what is not, together with a ceiling on management spending by the Member States (paragraphs 79 to 82).

Recommendation 4

The Commission and the Member States should establish a suitable performance framework for TA funding. In particular, the TA needs of the Commission and of the Member States should be properly assessed and there should be a mechanism in place to set objectives and measure progress towards them, which would in turn enhance accountability and make it possible to improve the effectiveness and efficiency of spending.

This Report was adopted by Chamber I, headed by Mrs Rasa BUDBERGYTĖ, Member of the Court of Auditors, in Luxembourg at its meeting of 11 March 2015.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Financial planning of TA in rural development for 2007–13 and 2014–20 based on DG Agriculture and Rural Development data

Member State	2007-2013			2014–20			Changes 2007–13 to 2014–20 (2007–13 = 100 %)	
	Financial plan: rural development *(in euro)*	Financial plan: TA *(in euro)*	TA as share of RD	Financial plan: rural development *(in euro)*	Financial plan: TA *(in euro)*	TA as share of RD	Change in RD planning	Change in TA planning
Belgium[1]	487 484 306	5 653 734	1.16 %	647 797 759	7 614 324	1.18 %	132.89 %	134.68 %
Bulgaria[1]	2 642 248 596	39 545 031	1.50 %	2 338 783 966	54 500 000	2.33 %	88.51 %	137.82 %
Czech Republic[1]	2 857 506 354	13 514 430	0.47 %	2 281 445 107	22 500 000	0.99 %	79.84 %	166.49 %
Denmark[2]	577 918 796	23 100 024	4.00 %	629 400 690	25 175 839	4.00 %	108.91 %	108.99 %
Germany[1]	9 078 378 263	92 685 319	1.02 %	8 768 178 051	199 667 445	2.28 %	96.58 %	215.43 %
Estonia	723 736 855	28 586 354	3.95 %	823 341 558	28 083 108	3.41 %	113.76 %	98.24 %
Ireland[1]	2 494 540 590	2 160 000	0.09 %	2 190 000 000	3 180 000	0.15 %	87.79 %	147.22 %
Greece[1]	3 906 228 424	45 000 000	1.15 %	4 223 960 793	79 723 255	1.89 %	108.13 %	177.16 %
Spain[1]	8 049 474 764	101 591 356	1.26 %	8 214 328 821	118 952 677	1.45 %	102.05 %	117.09 %
France[1]	7 584 497 109	49 972 316	0.66 %	11 353 567 383	127 974 320	1.13 %	149.69 %	256.09 %
Italy[1]	8 985 781 883	191 256 136	2.13 %	10 384 714 084	260 147 585	2.51 %	115.57 %	136.02 %
Cyprus[1]	164 563 574	2 913 089	1.77 %	132 214 377	2 381 377	1.80 %	80.34 %	81.75 %
Latvia	1 054 373 504	41 644 500	3.95 %	1 074 576 782	42 983 070	4.00 %	101.92 %	103.21 %
Lithuania	1 765 794 093	67 996 680	3.85 %	1 613 088 240	57 323 530	3.55 %	91.35 %	84.30 %
Luxembourg[1]	94 957 826	-	0.00 %	100 574 600	1 058 045	1.05 %	105.92 %	N/A
Hungary[1]	3 860 091 392	152 233 735	3.94 %	3 430 667 653	74 055 333	2.16 %	88.88 %	48.65 %
Malta[1]	77 653 355	3 063 355	3.94 %	97 326 898	3 893 076	4.00 %	125.34 %	127.09 %
Netherlands[1]	593 197 167	3 251 167	0.55 %	607 305 360	21 695 360	3.57 %	102.38 %	667.31 %
Austria	4 025 575 992	87 807 211	2.18 %	3 937 551 997	114 181 478	2.90 %	97.81 %	130.04 %
Poland[2]	13 398 928 156	199 950 000	1.49 %	8 598 280 814	132 527 195	1.54 %	64.17 %	66.28 %
Portugal[1]	4 056 570 600	86 483 763	2.13 %	4 057 788 354	77 095 212	1.90 %	100.03 %	89.14 %
Romania[1]	8 124 198 745	100 895 834	1.24 %	8 015 663 402	178 367 919	2.23 %	98.66 %	176.78 %
Slovenia	915 992 729	12 922 668	1.41 %	837 849 803	24 946 000	2.98 %	91.47 %	193.04 %
Slovakia[2]	1 996 908 078	42 238 362	2.12 %	1 545 272 844	59 291 790	3.84 %	77.38 %	140.37 %
Finland[1]	2 155 018 907	23 082 183	1.07 %	2 380 408 388	29 874 500	1.26 %	110.46 %	129.43 %
Sweden[1]	1 953 061 954	64 188 151	3.29 %	1 763 315 250	63 410 453	3.60 %	90.28 %	98.79 %
United Kingdom[1]	4 612 120 420	31 294 724	0.68 %	5 190 459 683	67 171 685	1.29 %	112.54 %	214.64 %
Total/average share by MS[3]	**96 236 802 432**	**1 513 030 122**	**1.57 %**	**95 237 862 657**	**1 877 774 575**	**1.97 %**	**98.96 %**	**124.11 %**

1 For the 2014–20 period, RDPs not yet or only partially approved by the Commission (as at the end of February 2015).

2 For the 2014–20 period, flexibility (Pillar I transfers) not yet included.

3 Excluding Croatia, which joined the EU in 2013 so had no EAFRD expenditure for 2007–13; for 2014–20 its planned EAFRD budget is 2 026 million euro, including 55 million euro TA.

Reply of the Commission

Executive summary

IV

The Commission considers that Article 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 (TA) 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 types of costs such as administrative costs or IT tools. Expenditure financed through TA is directly linked to the preparation, implementation and evaluation of the rural development programmes (RDPs).

As regards the 2014–20 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 (Article 48, Regulation (EC) No 1974/2006).

For the 2014–20 programming period, TA will be subject to administrative and on-the-spot checks (Article 62, Regulation (EC) No 809/2014) improving the level of assurance in `terms of eligibility of the expenditure.

TA 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 TA (Annex VII, Regulation (EC) No 1974/2006).

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

VII

TA 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 TA to the general CAP objectives.

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

VII First recommendation

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

VII 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 the 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) TA 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.

VII 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 the TA budget.

VII Fourth recommendation

The Commission accepts this recommendation. The Commission will encourage Member States to use adequate indicators for the monitoring of TA 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 Regulation (EC) No 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 TA.

The Commission has streamlined the approach towards TA in all ESI funds, establishing common legal provisions applicable to all. This provision (Article 59, Regulation (EC) No 1303/2013) 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 TA 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 TA 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 TA.

Observations

24

As regards Pillar I, funding of Member States' administrative costs is excluded in the 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 (EC) No 1308/2013.

25

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

26

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

For the new programming period, TA at the level of the Member States is defined under Article 59 of Regulation (EC) No 1303/2013.

27

Despite the non-explicit inclusion of the term 'capacity-building' in Article 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 TA 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 TA must be clearly linked to the implementation of the programme. The flexibility in the use of funds under TA 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 (Article 30 of the financial regulation (Regulation (EC) No 966/2012).

TA expenditure supports activities of the national rural networks (NRNs) of the Member States, which are clearly defined and established in the legal framework (Article 68, Regulation (EC) No 1698/2005) and in the RDPs.

30

In the Commission's view, the 'definition' and the 'nature' of TA should be determined by the legislator.

The aim of the vade mecum 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 2007–13 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 for the 2014–20 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 TA 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 TA for the 2007–13 programming period (1. 57 %) and the estimated one for the 2014–20 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 2007–13 (as of 31 October 2014) was only 70 % of the planned amounts indicated in the annex. Therefore, only 1.16 % of the executed budget for 2007–13 has been actually dedicated to TA.

See also Commission reply to paragraph 13.

Common Commission reply to paragraphs 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 Member States.

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 TA support.

43
Article 66(2) of Regulation (EC) 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 Article 71(3) of Regulation (EC) 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 Regulation (EC) 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 services rendered to RDPs’ beneficiaries, especially with regard to complex investment measures, thus improving the overall programme implementation.

46
TA 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
TA is largely used for easing the administrative burden of the beneficiaries, improving their knowledge on, and information about, the programme implementation, or making full use of IT tools and e-administration. Therefore, TA expenditure, even if dedicated partly to budget support, has a positive impact for the beneficiaries.

48

National administrations in economically weaker Member States need 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 TA spending in percentage terms is relatively low.

49

TA 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 TA 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 on TA in 2007–13 (of a possible ceiling of 4 %). This relatively minor percentage of rural development expenditure does not show any will to maximise payments towards administrative costs of the Member States.

Box 1

Considering that the TA 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 TA for the 2014–20 programming period in the framework of the Rural Development Committee.

51

The table in the 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 TA expenditure. Errors reported by the Commission and the ECA are followed up and financial corrections are proposed.

The legal framework for 2014–20 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 TA 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.

See also reply to 54.

Box 2

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-the-spot checks etc.

As regards Hungary, on 19 December 2014, the Commission reminded the Hungarian authorities that for 2014–20 programming period a list of the beneficiaries of TA 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 2014–20 programme negotiations, the authorities were made aware that TA 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 the Commission takes into account the Court's observations during its own audits.

See also reply to paragraph 55.

56

See Commission reply to paragraph 54.

Box 3

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 Article 82(2)(f) of Regulation (EC) No 1698/2005.

Specific assurances with regard to compliance, in particular with respect to rules on competition and public procurement, have been provided by the Italian managing authority in the annual progress report.

Article 62 of Regulation (EC) No 1305/2013 broadened the domain where an independent expert should perform or confirm the calculations. It also covers all operations where simplified cost options are used.

62

In the 2014–20 programming period, the NRNs will be monitored through three specific output indicators (Annex IV of Regulation (EC) No 808/2014). As for other activities funded under TA, 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 (Article 30, Financial Regulation (EC) 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

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

The intention to consider TA 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 (EC) No 1305/2013, Chapter I of Title III describes the measures, Chapter II describes the common provisions for several measures and Chapter III describes TA and networking. Clearly TA is separated from the measures. However, this separation does not entail that TA is not monitored or evaluated. The RDPs are properly planned, monitored and evaluated and the effects of TA 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 TA 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 TA expenditure is to be modified, concrete reasoning must be provided.

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

69

The Commission did not set separate objectives for all TA 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

TA 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.

The CMEF foresees the use of RDPs' additional indicators (Article 81(2) of Regulation (EC) No 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 TA to be evaluated in the mid-term and *ex post* evaluations.

75

Given the wide variety of needs covered by TA, 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 Annex VII of Regulation (EC) No 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 TA. 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 State 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 TA.

78
See Commission reply to paragraph 75.

82
For the 2014–20 programming period, one of the tasks of the rural networks' assembly established in Article 3(d) of Commission Implementing Decision (EC) No 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
TA 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 TA to the general CAP objectives.

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

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

For the new programming period, TA at the level of the Member States is defined under Article 59 of Regulation (EC) No 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 to necessary costs such as administrative costs of the IT tools. Expenditure financed through TA is directly linked to the preparation, implementation and evaluation of the RDPs.

As regards the 2014–20 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 the Commission's ESIF budgetary guidelines for the shared management programmes on the use of the operational and the non-operational (administrative) TA 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 TA on 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 TA for the 2014–20 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 TA, 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 TA must be ensured.[1]

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 the 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) TA 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 the TA budget.

1 Technical assistance guidance fiche, 2014–20.

91

TA 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 TA.

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 TA expenditure, although it will not make it compulsory.

Technical assistance traditionally means the provision of expertise and funding to support government departments in the implementation of policy. In this audit, the Court examined how EU spending on technical assistance was used in the area of agriculture and rural development during 2007–13. It found that there has been a move away from a 'capacity-building' understanding of technical assistance towards support for regular administrative costs. For this reason, and because of the absence of a suitable performance framework, neither the Commission nor the Member States are able to demonstrate how well technical assistance has contributed to the impact of the CAP.

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