European Court of Auditors
SOMMAIRE

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President Caldeira warmly received all the invited guests from the authorities and institutions which had contributed to the founding of the Court and its successful operation over 35 years. He also thanked, on behalf of the Court, the Grand-Duchy of Luxembourg and the city of Luxembourg for their contribution to the development of the ECA.

He stressed that the new K3 building represented an important investment in the future of the ECA. With this building, the current Members and staff are brought together on one site for the first time in many years. President Caldeira in particular congratulated the architect, Jim Clemes (the interview with him and the co-architect Ingbert Schilz is follows this article).

But many challenges lie ahead for the European Union and the ECA. The EU has passed through very testing times in recent years. It is clear that more coordinated action between EU institutions and national authorities is needed. Europe’s leaders have already taken important steps to develop appropriate financial, fiscal and economic governance frameworks.

But as the Presidents of the European Council, the Commission, the European Central Bank, and the Eurogroup have warned, more Europe should not mean less accountability to its citizens.

From the perspective of the ECA, it appears that although more and more decisions on spending are being taken at the EU level, they are not always being matched with the necessary level of public accountability.

President Caldeira informed that in the morning, at the Contact Committee meeting of the Presidents of all Supreme Audit Institutions held at the ECA’s premises, a common position statement had been adopted on recent developments in economic and financial governance in view of the June European summit.

The ECA finds that many existing EU schemes still need clearer objectives at the outset, better monitoring along the way and more convincing analysis at the end.
The ECA does not possess the power to decide which direction Europe will take, it cannot sanction those who do not respect its rules, and it does not manage the funds the Union needs to meet its objectives. But the ECA has the mandate to audit. It is a soft power that helps the other European institutions to make those hard decisions. And it helps the citizen to see what is going on. The role of the ECA is to warn of risks, to provide assurance and to offer guidance.

And it is important to remember that each day the ECA brings together men and women from all Member States to work towards common objectives. They work together in a spirit which reflects the values that unite Europeans: pluralism, non-discrimination, tolerance, justice solidarity and equality. European citizens can count on their Court of Auditors to do its utmost- united on its Kirchberg site – to work towards that goal.

**Speech: John PERRY TD, Irish Presidency of the Council of the EU**

The next speaker was John Perry, TD, Minister for Small Business from Ireland, who recalled that this year Ireland was celebrating 40 years of membership of the EU and that this coincided with the 7th Irish Presidency of the Council of the EU, which runs until the end of June 2013.

Minister Perry said that Ireland has benefitted enormously from its membership in the Union and that, despite any current difficulties, the last four decades had seen a real transformation in the standards of living and quality of life.

The Irish Presidency remains committed to working pragmatically and constructively with all partners to advance the Union’s agenda, and is working to manage effectively the complex and busy agenda of the Council and to serve as a fair and impartial office-holder.

The agreements reached on the Accounting Directive and the Unified Patent Court would reduce the administrative burden on business and on small and medium-sized enterprises, in particular. One of the big challenges is to move the Digital Agenda forward and to hopefully reach agreement on the main elements of the data protection package before the end of June, and to make solid progress on e-identification.

External trade is another major focus of the Irish Presidency which is working to advance trade agreements with key partners. Transatlantic Trade and Investment Partnership with the US is a major priority in this area. The ambition to conclude a mandate for the start of EU-US trade negotiations by the end of June remained.

Since January, the Irish Presidency has been working intensively to drive Banking Union legislation forward. The Presidency has secured agreement on its two key elements: the Capital Requirements Directive and the Single Supervisory Mechanism. It is now making efforts to advance the Banking Resolution and Recovery proposals. Agreement has been reached with the European Parliament on a new Mortgage Credit Directive that will help avoid the sort of housing bubble which has proven so damaging to national economies.
But the focus across all formations remains on delivering results that will contribute to the core Presidency objective of delivering stability, employment and economic growth across the EU.

**Speech: Jean-Claude JUNCKER, Prime Minister of Luxembourg**

Prime Minister Jean-Claude Juncker began his speech by reminding his audience that it was the treaties that had brought the European Court of Auditors to Luxembourg and anchored it firmly in the life of the country. That notwithstanding, we only choose to build where we feel at home.

The refined, yet functional, architecture of the new building is the latest incarnation of the innovative genius of Jim Clemes, the architect, whose numerous designs in stone and glass added an individual touch to the capital and set it apart from other towns.

In the presence of the bourgmestre of Luxembourg City, Jean-Claude Juncker expressed his great satisfaction with the success of the design, and said that he was proud, just as all Europeans should be, of what the Court of Auditors is doing, of its tireless work and its important role.

This role is to call Europe to order and impose the same rules on all the Member States, regions and local bodies, indeed on all beneficiaries of EU funding. Mr Juncker called upon the Court to remain exacting, in order to continue its contribution to the construction of Europe.

Mr Juncker reminded the audience that the European Union is often under threat, despite significant successes such as the peace and prosperity it had brought to the continent since the last world war. Europe has devised and established the largest internal market in the world, together with the euro, providing better protection than would have been possible with seventeen national currencies it replaced. The EU should be proud of the tremendous progress it had made as a continent in terms of enlargement towards central and Eastern Europe, thereby reconciling history and geography. The Eurosceptics, of whom there were so many today, should be reminded of this history.

However, Europe should also keep its eye on the future. Europe is a very small continent, which is losing economic and demographic momentum. By the end of this century, Europeans will only constitute 4% of the world’s population. In 15 years, no EU Member State will be big enough to be a member of the G7, the world’s seven largest economies. We therefore have to do all we can to enhance European integration, and to do so we need the necessary institutions and in particular the European Court of Auditors, whose role is key.
JOHN PERRY, Irish Minister for Small Business

In my role as Minister for Small Business, as with all Ministers in the Irish Government, I have been closely involved in the Irish Presidency and I can confirm that EU initiatives and programmes remain extremely important to European citizens generally. In the current circumstances it is essential that we squeeze as much value as possible out of every Euro spent and the European Court of Auditors has an essential part to play in ensuring that value.

MINISTER CLAUDE WISELER, former Minister for Public Works

Am Anfang hat mein damaliges Ministerium den Bau des neuen Gebäudes "gemanaged", aber, sobald die Pläne fertig waren, hat der Rechnungshof übernommen. Ich sehe heute zum ersten Mal, den fertigen Bau. Ich bin stolz darauf, und dass eine Institution wie der Rechnungshof sich dort niederlässt, wo sie sich wohl fühlt.

JEAN-CLAUDE JUNCKER, Premier Minister von Luxemburg

Ich finde die Architektur des neuen Gebäudes bewegend. Sie legt Zeugnis dafür ab, dass der Rechnungshof sich entschieden hat, endgültig in Luxemburg zu bleiben. Insofern wünsche ich allen, die hier arbeiten werden, Zufriedenheit mit ihrer Arbeit und ansonsten viel Glück.

MARC JAEGGER, juge du Tribunal de l’UE

Je suis venu pour rendre hommage à la Cour qui est maintenant une institution depuis 35 ans et qui regroupe tous ses fonctionnaires dans un même endroit, un aspect dont nous on rêve comme voisins. Nous, de la CJE nous n’avons pas ce privilège même si pour le reste nous avons beaucoup de choses en commun, le statut, le contrôle, le respect du citoyen.

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OBSERVATIONS AND COMMENTS
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IN ITS 35th YEAR ANNIVERSARY THE ECA INAUGURATES ITS NEW K3 BUILDING

Observations and comments

MAARTEN ENGWIRDA, former Member of the ECA

There was a first meeting of former Members of the ECA during the Seminar in Slovenia last September. There it was announced that the next official event would take place in the ECA for the opening of the new building K3. Tomorrow I will go back to Nice, where I live and enjoy the climate. I still follow the events in the ECA. I was pleased that in the last annual reports there were very precise data. Even if they were worse than the year before, the ECA should give the truth and I think the ECA is going in the right direction.

AUNUS SALMI, former Member of the ECA

I left the Court about seven years ago. Today’s celebrations give me the opportunity to see old friends and colleagues. The more time goes by, the more nostalgic feelings arise.

MAARTEN ENGWIRDA, former Member of the ECA

There was a first meeting of former Members of the ECA during the Seminar in Slovenia last September. There it was announced that the next official event would take place in the ECA for the opening of the new building K3. Tomorrow I will go back to Nice, where I live and enjoy the climate. I still follow the events in the ECA. I was pleased that in the last annual reports there were very precise data. Even if they were worse than the year before, the ECA should give the truth and I think the ECA is going in the right direction.

KLAUS WERNER, former Head of Unit of the ECA


The official part of the inauguration was accompanied by the music of the Luxembourg Brass Ensemble "E PLURIBUS UNUM" of the "Conservatoire de Musique de la Ville de Luxembourg – Classe de Charel Consbruck" as well as by the Choir of the ECA "CURIA CANTORUM", directed by Stephanie Wester.
INTERVIEW WITH THE TWO ARCHITECTS OF THE NEW K3 BUILDING
JIM CLEMES AND INGBERT SCHILZ

By Rosmarie Carotti

R.C.: It is really quite something to be able to interview you both at such short notice. What ideas did you have when you first saw the specifications and how far were you able to carry out what you envisaged?

Jim Clemes: Since the 1990s, there has been a paradigm shift in terms of how the Kirchberg has been developed, that is to say as a ‘town’. The original idea in the 1960s involved a large park with isolated buildings, but gradually, however, the idea of extending the city of Luxembourg won the day.

The aim was to build something that reflects how people move about the place and also to construct districts which are accessible on foot.

The European Parliament project, for example, will also have shops on the ground floor. The Kirchberg as a whole is now being developed as a ‘town’ and that includes working, living, shopping and other activities. This idea is being followed through. The street layout and frontages, and the way in which buildings face the street and one another, have all been worked out accordingly.

A good illustration of the paradigm shift is the way in which the European Court of Auditors’ K1 building stands in its grounds vis-à-vis the K2 and K3 buildings, which are configured in such a way that they do not always face one another, but also give onto the street. This was the very urban-planning specification which we wanted, and needed, to fulfil.

R.C.: There was also mention of a pedestrian zone between the European Parliament and the European Court of Justice.

Jim Clemes: That is now being developed. If you look at the current construction project for the Luxembourg Fonds de Pension, opposite the Court of Auditors, or at the Jean Monnet building, which is scheduled for demolition, you can see that these two sites are to be replaced by buildings that will relate to both ‘street’ and ‘town’. Instead of sealing themselves off in a world of their own, they are to be a world which opens outwards. People will then feel inclined to wander around on foot. At present, the distances are still considerable, but that is also good, as there is still room for development.
Interview with the two architects of the new K3 building
Jim Clemes and Ingbert Schilz

**Ingbert Schilz:** In the context of this new town, we have taken great pleasure in delivering on the task of giving the European Court of Auditors an image, not only through colours. The resultant buildings are ones that invite communication and are open.

**R.C.:** You mean the intermediate zones, the areas between the offices.

**Ingbert Schilz:** What we wanted was to give life to what Europe is really all about - exchange, which is possible in any part of the building.

**R.C.:** A tramway between the Kirchberg and Luxembourg old town is also being discussed. What is your point of view on this?

**Jim Clemes:** Luxembourg always used to have a tramway, but unfortunately it was phased out in the 1960s. A tramway would actually be a key element, because traffic is certainly no longer flowing smoothly with buses. If the town is to grow further, as indeed it must, it requires a system that functions.

**R.C.:** You drafted all the plans for our new building. Are there things you would have done differently when you look at them today?

**Ingbert Schilz:** We were fortunate enough to be selected in the competition for the European Court of Auditors’ first extension in the 1990s. The specifications were relatively stringent and specific as far as configuring the layout was concerned, and of course the budget constraints were also very tight, as you would expect from an auditing body.

However, in the course of the first extension it became apparent that the calibre of the work definitely called for further possibilities. This is what we have now managed to improve here in the second building, in discussion with the Court of Auditors. The resultant building is broken up more, it still keeps its rationality in terms of the individual offices, but also has spaces, or “team areas”, that are more communicative and encourage people to take their work out of their office.

Of course, we would have liked this interaction to have been reflected to an even greater extent in more open layouts. The European Investment Bank has led the way on this. It has no open-plan offices - they are the wrong approach - but large office spaces with far more direct interfaces, although in my view the EIB has gone a step too far in the way it leaves its workers on public view. So there are definitely some common avenues for us to explore in the future.
Interview with the two architects of the new K3 building
Jim Clemes and Ingbert Schilz

R.C.: What is the expected life cycle of the new buildings here on the Kirchberg in particular for our new K3 building?

Ingbert Schilz: We see all that from a different perspective. The way in which a building is required to perform can be broken down into its various component parts - its structure, frontage, technology and internal fitting-out. The basic premise is that the structure should last for at least 50 years. As regards technology, we have taken a huge leap forward in terms of energy efficiency. Even when we were designing the European Court of Auditors’ first extension, K2, we included features such as triple glazing and active concrete surfaces, and in K3 we have taken this a stage further. Rather than just contenting ourselves with meeting Luxembourg standards, we wanted to do more. Our goal was to build sustainably and also to be able to say that the technology and frontage would not need any significant upgrading for the next 20 years. This is a responsibility that we bear.
José Manuel BARROSO, President of the European Commission at a panel debate organised by Breugel, CEPS, Ifri, SWP, Bertelsmann Stiftung, Madariaga-College of Europe Foundation, European Policy Centre, Egmont Institute, Friends of Europe, Confrontations Europe, Stiftung Wissenschaft und Politik with the support of media partner EurActiv.

Breugel is a European think tank specialising in economics. It was established in 2005 and its mission is to contribute to EU policy shaping through reflexions, analysis and recommendations.

Panelists:

Elisa Ferreira, Member of the European Parliament
Andreas Maurer, Head, Brussels Office, German Institute for International and Security Affairs (SWP)
Giles Merritt, Secretary General, Friends of Europe / Les amis de l’Europe
Thierry de Montbrial, Director General, Institut Français des Relations Internationales (IFRI)

Moderator:
Matina Stevis, Journalist, The Wall Street Journal

“Heading towards Federalism or Fragmentation?”

In his speech “Heading towards Federalism or Fragmentation?” President Barroso agrees that, at times when Europe often seems to shift between integration and fragmentation, the EU has to come clean about its political plans, options and intentions. He is not afraid to use the word federalism although it is sometimes ambiguously read. As he said in the State of the Union, what is meant by such a federation is “not a superstate (but) a democratic federation of nation states”. Europe cannot be united against the will of its member states.

One of the reasons why the term federalism is so sensitive is the suspicion that countries would be overshadowed by a unified, centralised federal state. For countries which have fought long and hard to become united and independent, the thought of being a mere sub-federal entity is unbearable. The problem is not political integration but to have an integrated single national unity at the European level. A standard definition of federalism is that it is “a system of government in which power is divided between a central authority and constituent political units; an encompassing political or societal entity formed by uniting smaller or more localized entities”.

The European Union already has a number of undeniably federative elements: a supranational European Commission, a European Parliament, a European Central Bank, a European Court of Auditors and a European Court of Justice based on a system of law, the primacy of which is recognised over national law.

The financial crisis has underlined the weaknesses and inconsistencies in the institutional design of
Europe. In terms of economic governance, there is now the “six pack”, the “two pack” and the Treaty on Stability, Coordination and Governance. In all these regulations the balance of power has shifted towards the European level with new competences.

Major steps have been taken towards more and better integration, towards a real economic and monetary union, despite the crisis or rather because of it. While there is some tension between the intergovernmental and the community method, it is interesting to notice that the European Commission is even given a role in intergovernmental instruments as foreseen in the Fiscal Treaty.

This even goes beyond economic governance. For instance, the European Commission’s authority is now relied on not just to review the compatibility of national law with European Community law but even to check the compatibility of the constitutional order of Member States with the values of the European Union.

Federalism is a dynamic concept. The process towards an ever closer union continues. Beyond the Blueprint for a Deep and Genuine EMU, the Commission intends to present the broad contours of its outline for the future shape of the European Union, in good time to allow the issue to be debated by European citizens and other stakeholders ahead of the next European Parliament election in 2014. For further steps to achieve the goals there will need to be later a treaty revision.

The case for more European unity is clear for President Barroso. More European integration is simply indispensable for Europe’s economy, to shield it from international rough weather, to face strong competition and to maintain the trust of markets and investors. The real risk of fragmentation comes from not hearing citizens’ concerns. Here the role of democratic debate and political vision comes to the fore.

President Barroso responds to audience questions

To some, Greece feels not just a province but the backwater of the Union: what lessons has the EU learnt from mistakes made here? Mr Barroso answers that the Treaties give rules, but these rules were not all respected by all countries. One of the reasons for unemployment in Greece and other countries is due to the authorities’ lack of respect for Europe’s stability and growth pact. Rules were not respected. Europe is a community based on law and common principles, not, as in the past, on balance of power.

But Europe has to go beyond the Treaties because, at present, there is a deep problem of trust of the European citizen in the EU. To put the blame for the crisis on the EU is not only politically dishonest but also intellectually inadequate. The crisis was created by unsustainable public debt and irresponsible behaviour in the financial markets in Europe and beyond. All that happened in the banking sector, happened under the authority of national supervisors. That’s why Europe is now being equipped with a single supervisory mechanism.

Europe is reaching the limit of current policies and needs leverage to provide sustainable growth based on increased competitiveness.

The biggest lesson from the crisis is that growth based on debt is not sustainable. Europe needs systemic growth, based on increased competitiveness. It is not enough to have the right policy - this policy also has to merit political and social acceptance. This is where Europe did not do everything right. The institutions did not manage to explain what really was at stake and did not build the necessary support.

Concerning the question of what is left from the spirit of the founding fathers, President Barroso is convinced that this spirit is still alive, but feels strongly that national prejudices which are so often to be seen in the political debate are morally unacceptable and against the spirit of the fathers of Europe. More specifically on defence, he appeals to accept a common approach and refers to his three consecutive “state of the Union” speeches. He believes that progress is going to be made. The European
Commission is preparing a communication on this matter. Europe needs leadership at the European level and when it comes to the mobilisation of armed forces, the European institutions do not have the necessary powers. Europe counts on matters where the power is at the Community level. Defence remains mostly a national competence.

In answer to remarks that the policy of austerity is not sustainable and has to be complemented by a stronger emphasis on growth and growth measures in the shorter term, President Barroso agrees that is wrong to put the problems down to an option between austerity and growth. He points out that the EU has a policy for growth bonds, for lending by the Central Bank, but the correction of debt remains indispensable. The Commission is also proposing the extension of the timeline of national deficits, but not enough has been achieved.

There is inherent elasticity in the growth and stability pact. Political agreement is now needed on short-term measures. President Barroso proposes tailor-made solutions for different countries, bearing in mind that the solutions are implemented by the Member States. The Commission and the Troika propose, but the decision is taken by the Member States.

Europe needs a real consensus with the most important political forces and ideally also with the most important social partners on the way forward. Europe needs a fiscal policy, a deeper reform for competitiveness and investment with a social dimension. There are areas where more can be done at the European level and areas where more can be done at the national or even regional level. Federalism is not at all equivalent to centralisation. Federalism, by definition, is about sharing values and responsibilities. While harmonisation of rules is important, subsidiarity remains an important criterion.

Every common currency demands stronger economic and monetary integration. At the end, the credibility of a currency depends on the solidity of the institutional and political reality that is behind it. The idea of subsidiarity is a very European idea and federalism is a democratic idea and not centralised power against our national, regional, or individual freedoms.

**Panel Debate**

The debate was launched with the question of whether fiscal and monetary union should be kept outside the treaty, if the European Parliament should be split and if the European institutions should be rebalanced.

It is said that growing apart has been a consequence of the common currency together with recession.

What mechanisms does Europe have if there is recession throughout Europe? The Governments, the EU Council, have created a loss of trust but there is no Community method to help and the Troika has no democratic accountability, it may only trigger the support of the EU.

The EU continues to fragmente while President Barroso talks about business as usual and hedges ambitions for a third term. There is the prospect of a new EU Convention, but one recalls the disinterest shown across Europe for the last one and the failure to touch ignite political interest around Europe.

Contrary to the statement of President Barroso that the spirit of the Founding Fathers is still alive, it is said that the founding Member States have lost this spirit. The EU is not a treaty, it is not NATO or OECD, the EU is supposed to be the core of a new political unit. The cement is missing in the EU and the institutions are weak.

It is recognised that if the euro did break up, it would be a tragedy and it is deplored that a serious debate is still missing on the kind of geometry of the future EU with the core of the monetary union. Barroso is right in saying that Member States did not respect the rule; the Member States which would stay in the core would therefore have to accept strict rules.
Introductory remarks

The challenge is basically the European Agenda and all the reforms being promoted in the Member States, namely country-specific policy recommendations. It goes from reforms of the markets, to rebalancing of the economy starting with the correction of very big imbalances nationally and at the European level, to investment, innovation and to competitiveness.

The Commission has never proposed a policy that was only based on the correction of the deficits, but a comprehensive proposal which includes structural funds for competitiveness and also trade and investment. The Commission has presented an ambitious multi-financial framework for investment. It has proposed project bonds that are now starting to be implemented and an increasing lending capacity of the European Investment Bank. Politically and socially, a policy that is only seen as austerity is, of course, not sustainable. Europe needs to combine the indispensable correction of disequilibria in public finances with fiscal rigour and proper measures for growth including short term measures.

It has probably not been not sufficiently acknowledged that the Commission has already been proposing extension of the deadlines for the correction of excessive deficits, that it has put the emphasis on structural deficits rather than on nominal deficits. It is not true that the stability and growth pact is blind; there is inherent flexibility. While correction of the excessive deficit is indispensable to recover confidence, this policy has to be complemented by stronger measures and a political agreement for a growth, including short-term growth measures.

Europe needs tailor-made solutions for different countries

Europe needs tailor-made solutions for different countries, keeping in mind that the solutions have to be implemented by the Member States. People sometimes say that it is the Commission or the Troika, but they can only propose. At the end, the decisions are taken by the Member States. What is needed is a real consensus among the most important political forces and optimally the most important social partners on the way forward. But those who want to over-simplify the situation putting it as an option between austerity and growth are wrong.

There is a debate about subsidiarity and discussing the level of centralisation is not in itself anti-European at all. There are levels where more can be done at the European level and others where more can be done at the national or even regional level. It has to be kept in mind that the social agenda is set by the Member States. The Commission and the Troika propose, at the end the decision is taken by the Member States. That’s why a wide consensus between political forces is needed.

The idea of federalism is not at all equivalent to the idea of centralisation. The federalist idea, by definition, is about sharing responsibility. Of course, any internal market demands a lot of harmonisation of rules, every common currency demands stronger economic and monetary integration, but the idea of federalism is a democratic idea and does not mean centralised power against national, regional or individual freedom. The idea of subsidiarity is a very European one.
Speech by President Rompuy

President Rompuy shared his thoughts and experience of the importance of time in politics and in politics of the crisis. It is about using political momentum, like now with the fight against tax evasion, which is on the agenda of the May European Council. It is also about how to make the most of time pressure with deadlines and pressure cooker summits. Time helps people and countries also to get used to ideas, to let reforms ripen and to let reality sink in. It is often about finding the right mix, when to wait, when to accelerate. Ultimately it is a political judgement call.

In the union-wide debate on how to get out of the crisis, one feels a basic tension between, on the one hand, economic, financial and social consequences of being in the Union, especially the monetary Union, and, on the other hand, a political and cultural difference that also defines Europe.

It is about sequences and priorities, as all countries have their own political time. President Rompuy considers it one of his main responsibilities to not ignore these differences, nor to hastily eliminate them, but to deal with them in the interest of all members and the Union as a whole.

It is not only about speed. Above all it is about direction. Citizens and markets need this sense of direction, but the strategy needs to produce results. Here something has changed. At the start of the financial crisis Europe managed to avoid the worst, today the biggest problem is the economic crisis mainly its duration. Growth and employment are not picking up as fast as had been hoped for.

A new sense of urgency

A new sense of urgency is setting in. That’s why the debate about the direction comes to the surface - commonly phrased as austerity versus growth. In fact, it is mainly about timing and sequence. All leaders still agree on the four fundamentals of the strategy: financial stability, sound public finances, immediate action to fight unemployment and long-term reforms. It is important that they keep working simultaneously on the long- and the short-term.

There are some positive signs, at least when it comes to financial stability. Divergences in the Eurozone are declining; in nearly all southern European countries competitiveness is improving and overall fiscal imbalances have gone down by half since 2008, from 6 to under 3%. But the fact is that employment and growth still have not picked up.

More immediate actions are needed to directly support job creation and economic activity. But the common budget of the EU cannot solve it all; that’s why it is so important that governments build on EU-specific initiatives.

Economic policies are a matter of common interest, say the Treaties. This has become a daily tangible reality. So, when national fiscal policies are designed, there is a real need to also think of the economic and monetary Union as a whole, to take into account all interdependences. The Eurozone is much more than the sum of its parts.

Within this overall picture, each country needs to find its right pace, always with the short-term and the long-term in mind. The flexibility in the common fiscal rules allows moving faster on reforms with the biggest immediate growth impact.

President Rompuy is especially concerned about financial fragmentation and difficult access to credit in the hardest-hit countries. Normal lending has to be restored in these countries, especially for SMEs. Part of the answer lies in setting up the banking union. Europe has to fix the systemic flaws in the EMU’s architecture.
President Rompuy referred to his report of what a genuine economic and monetary union would look like for banking sector policy, for fiscal and economic policy and in terms of political accountability. Leaders immediately agreed on the principle of a banking union and set an end-of-the-year deadline for a decision on a single supervisor for all Eurozone banks. The recent uncertainties around Cyprus have underlined the need not only for a single supervisor but also for a strong and effective single resolution mechanism. The Council is already working with the Commission on a proposal for a single resolution mechanism.

Beyond the banking union, the broader work towards a genuine economic and monetary union must continue. Herman Rompuy will report back to leaders in June on a number of issues, including the ex-ante coordination of economic reforms and reform contracts.

**Democratic accountability and political legitimacy**

These changes will have implications in terms of democratic accountability and political legitimacy. The crisis has required a combination of European and national responses. This calls for a careful examination of the question of legitimacy. Of course, as a general rule, accountability for national decisions is via national parliaments and that of European decisions issued jointly by the European parliament and the Council with ministers accountable to national parliaments - a double safeguard but a dual complexity. But when a decision involves both, national and European powers, it becomes even more complicated. It is interesting to see the Commission and even the president of the ECB appear in national parliaments and, vice versa, national leaders coming to the European parliament even if neither is formally accountable to the other.

Accountability is often hard to read. When a programme is decided on by the Eurogroup on a Troika proposal and with money from the ESM, who is democratically accountable? When a single supervisor is responsible for Eurozone banks and still working with national supervisors, who then is this European supervisor democratically accountable to?

There are cases where a double legitimacy is needed and the two can hardly be in a hierarchical relationship. This requires political dialogue between European and national advocates of democracy. Herman Rompuy invites further exploration of this issue.

Leaders ultimately all share the same time-frame, that of world history. All European countries face the same globalisation challenge, the same demographic challenge, the same technological revolution, the same shifts in surrounding regions.
Debate

To critical remarks raised by the audience about people expecting more from Europe in terms of outcomes and the need for a clean-up of the banking system which is not embedded in a lengthy institutional debate, Herman Rompuy answered that the need for a common single resolution mechanism has been recognised. It will be financed by the contribution of the financial sector. The Commission was asked to come up with a proposal before the summer, most likely in June. The Commission will implement the decision taken by the European Council and work in line with what decided at the level of the European Council.

A political evaluation of the growth compact will be made in June. The capital of the EIB has been increased. In real life, even in the private sector, many of decisions are taken with the back against the wall. When there is no longer sufficient market pressure, pressure coming from the institutions is needed. That’s why President Rompuy volunteered to make a report on the economic and monetary Union in May at the informal European Council. The first report was delivered in June and then in October and December. A single supervision mechanism was agreed upon. At the same time in December, it was decided to get a common resolution mechanism. The Commission will put a proposal on the table. That’s why the role of the institutions, of the president of the European Council and of the president of the European Commission is so important.

All decisions will be taken unanimously and include both North and South Member States. The North will also have stagnation and some of its countries will face a second year of recession. But President Rompuy hopes that 2014 will be the first year of positive economic growth all over the Union, with the most likely the exception of Cyprus.

Much progress has been made in having more convergence in the EU, in terms of financial stability, spreads that are narrowing, qualitative macro-economic criteria, inflation, balance of payments, competitiveness and even on public deficits. Yet, there is not the same kind of convergence in terms of growth and jobs.

There is no alternative to the road the EU has taken. Again in the last European Council, even the most-suffering countries subscribed to the strategy of the four points: financial stability, sound public finances, working directly against unemployment and youth unemployment and long term reforms.

Panelists:

Pierre Defraigne, Executive Director, Madariaga – College of Europe Foundation
Daniel Gros, Director, Centre for European Policy Studies (CEPS)
Guntram Wolff, Deputy Director, Bruegel
Fabian Zuleeg, Chief Economist, European Policy Centre (EPC)

Moderator:

Matina Stevis, Journalist, The Wall Street Journal
A "peaceful revolution"

Professor Teltschik spoke of a "peaceful revolution", a term which had been carefully chosen. As well as being a turning point, the years from 1989 to 1991 ushered in revolutionary changes, with the restoration of full sovereignty to Germany and definitive legal recognition of the Oder-Neiße line as the frontier between Germany and Poland.

When the Warsaw Pact was dissolved in the spring of 1991, it went peacefully and almost without a murmur. The division of Europe had been overcome. In place of the USSR there are now 15 sovereign republics.

In this connection, Professor Teltschik stressed that from the outset Chancellor Helmut Kohl made sure that German-Soviet relations were placed on a new footing. Under Kohl’s leadership, in 1989 and 1990 the Federal government concluded 22 treaties and agreements with the Soviet Union – in order not only to guarantee German reunification but also to forge the closest possible links between the USSR and Europe and Germany. For Kohl it was crucial to have good neighbourly relations with Moscow if there were to be lasting peace and security in Europe.

In 1989 and 1990 the world underwent radical change. The East-West conflict was over, and far-reaching results were achieved in disarmament and arms control.

A multipolar world

With the end of the cold war, the dual world order also came to a close. From 1991 there was a single world order, with the USA as the one remaining superpower; this lasted until President Putin coined the idea of a multipolar world.

The peaceful revolution spread, to encompass not only Germany but also Europe and the entire world. There have never been so many democracies and market economies existing concurrently as now. Other processes which contributed, almost unnoticed, to this overall trend were the globalisation of the economy through the creation of the WTO and the simultaneous opening-up of new markets in China, India and central and eastern Europe. The global marketplace has welcomed approximately three billion new consumers and competitors. Another dramatic development during the same period has been the digital revolution.
A pan-European structure for peace and security

In November 1990, 35 Heads of State and Government met in Paris to sign the Charter for a New Europe. The idea was to lay the cornerstone of a pan-European structure for peace and security, with a shift from dictatorship to democracy and from a planned to a market economy. For Teltschik, this was an unbelievably ambitious dream.

In December 1989, Chancellor Kohl had written a letter in which he mooted the idea of a new initiative for political union. The Dublin summit then paved the way towards political union.

The issue of German membership of NATO was initially not without its opponents, but for the US above all it was clear that membership was a necessary condition for it to support unification.

European integration and NATO membership are part of Germany’s *raison d’état*. First NATO was expanded to 28 Member States, then the EU grew to 27, and more candidates are waiting in the wings. The EU has been strengthened by the euro and the Treaty of Lisbon.

NATO-Russia relations

Another question is that of the future of NATO-Russia relations. It was President Clinton who first proposed to Boris Yeltsin that Russia should join NATO. In 2002 this led, under the NATO enlargement process, to the creation of the NATO-Russia Council.

Professor Teltschik criticised the fact that in 2007, at the Munich Security Conference, Chancellor Merkel had said that NATO’s relations with Russia had to be taken further but had still not said, to this day, what she actually meant by this, beyond the NATO-Russia Council.

The Americans were focusing on just one topic, that of missile defence. The 2010 NATO summit in Lisbon resolved to develop a common missile defence system in which Russia would be a full and equal partner. A common system would mean changes to the security situation in Europe as a whole, and perhaps globally, because it would depend on intensive cooperation and communication.

A strategic partnership with Russia

The EU was speaking of a strategic partnership with Russia. Between 1997 and 2007 there had been a first agreement on partnership and cooperation in the fields of security, economics, freedom, justice and research, but this had produced hardly any concrete results during those ten years.

The basic question concerned the form that Russian-European relations were to take. Although many Russians would be in favour of membership, this was naturally out of the question, and yet a special association agreement was conceivable. The point was to be ready to join without actually taking that step – and this was Teltschik’s message to both Russia and Turkey. A similar position could be adopted to that of Switzerland or Norway, which had a very special relationship with the EU.

Former Commission President Prodi had already put the idea of a Europe-wide free trade zone to President Yeltsin, whose rueful reply had been that he had no-one in Europe to negotiate with. Russia had now been a member of the WTO since 2012 and was hoping to join the OECD in 2013.
Europe-wide free trade zone would also include Ukraine. However, given the slow pace of progress Russia was now seeking to set up a Eurasian Union, which Putin wished to take the same form as the EU.

Teltschik gave a list of potential flashpoints: the dictatorship in Belarus, and over 20 years of frozen conflict in the Republic of Moldova, Armenia and Azerbaijan and the trouble spots around the Mediterranean. Europe had not taken full advantage of the opportunities which opened up in 1990 and 1991 in central and eastern Europe. Even the Paris Charter fell short in this respect.

**A new Europe-wide security treaty**

The Russians' latest proposal was for a new Europe-wide security treaty. This would not replace NATO, and neither was it directed against the EU, but to some extent it would complement both. However, this proposal, which referred back to the Paris agreements, was also awaiting a response. Meanwhile the US was turning towards Asia and focusing more on its relations in the Asian Pacific.

Professor Teltschik felt that closer relations between Russia and Europe would only be possible if both Europe and the West as a whole created incentives for the powers in Russia to take the step of throwing in their lot with Europe.

Pan-European development was a particular concern for Professor Teltschik. Opportunity had knocked in 1989 and 1990, but little had been done about it. Certain EU States should therefore target new objectives, as had happened with the WEU in the 1980s. This had led to the creation of the joint Franco-German Brigade and to the bilateral Franco-German agreement on a defence and security council and a financial and economic council. Ultimately, international developments would compel the whole of Europe to forge a common foreign and security policy.
Mr Neil Usher, Director for Audit support, Quality and Development, and Mr Fabrice Mercade, Head of Private Office for Mr Wessberg, received Mr Abu Rabea on 15 May who was visiting Europe in the framework of the Guest of the European Union Visitors programme.

Mr Abu Rabea is Acting General Director of Auditing on the Economy Sector, at the Palestinian State Audit and Administrative control Bureau (SAACB) in the Occupied Palestinian Territory (O.P.T.). The State Audit and Administrative Control Bureau, established pursuant to provisions of Article 96 of the Palestinian Basic Law, has the independent legal personality and is considered the supreme audit institution of Palestine.

On November 29, 2012 the Palestinian President Mahmoud Abbas managed to successfully push through a bid for formal recognition of non-member state status for Palestine in the General Assembly of the United Nations.

Mr Abu Rabea had requested a visit to the European Court of Auditors to discuss subjects related to the duties and the role of the European Court of Auditors and its relation with European supreme audit institutions. More specifically he was interested in the procedures in auditing international projects which are supported by the EU. The EU is a major donor of foreign aid to Palestinians.

INTERVIEW WITH Mr ABU RABEA

R. C.: Mr Abu Rabea, who is the final recipient of the findings and comments of the Palestinian State Audit and Administrative control Bureau (SAACB) in the occupied territories (O.P.T.)?

Mr Abu Rabea: The SAACB is the supreme audit institution in Palestine. By law we should present our reports to the Palestinian State Council, the equivalent of your Parliament. The problem is that at this moment the Palestinian Council is absent. We therefore send our reports to the President and, of course, to our auditees because we want them to follow up on our recommendations.

Because of the problems between the two parties, Hamas and Fatah, Parliament is not working. The majority of the Parliament is from Hamas, and Hamas is in Gaza. We are on our own and we are under occupation.

We try to solve most of our problems through the President who makes decisions. Once Parliament is back, all the decisions made by the President should be submitted to the first meeting of Parliament.

R. C.: Your internet page states that in the framework of the institutional strengthening project financed by the EU, you have signed a code of professional conduct, which is meant to align operations to the highest quality standards.

Mr Abu Rabea: The code of conduct which we have signed is the code of conduct of INTOSAI but we asked experts to adapt it to our Palestinian situation. We did not make changes but selected the criteria which were suitable for our situation.
We are not yet members of INTOSAI, but we already have sent our application to INTOSAI. This was possible because we are now member of the UN. And this was one of the conditions.

R. C.: You say that you are seeking to network with international organisations and discussing means of cooperation. I assume this is the aim of your visit. Which other institutions have you visited?

Abu Rabea: SAACB has a good relationship with the Swedish National Audit Office and last year we have organised a tour for our employees to the Swedish NAO. We benefit from this contact particularly in the field of performance audit. Next month we will send seven other employees. The Swedish NAO will support us with special training in the field of environmental audit. After that the Swedish NAO will send an expert to Palestine four times a year for “on the job” training.

We certainly would also welcome also the idea of an exchange with the ECA, after the excellent presentation I have been given.

R. C.: You are Acting General Director of Auditing on the Economy Sector, can you tell us about the economy sector in Palestine?

Abu Rabea: We do not audit the economy as such. The economy sector means the institutions classified as economic institutions: the ministry of finance, the ministry of economy a.s.o. We audit their financial statements.

But to answer your question about our economy, it is always influenced by the political situation. Our economy is linked to the Israeli economy. The standard of living is low in Palestine and high in Israel; despite our link, most of the prices are similar to Israeli prices. As our income is low and our prices high, we have an important proportion of people who live under the poverty line in Palestine.

Also as the Palestinian Authority, our financial situation is not good because Israel is controlling most of the taxes. Money which should be sent to the Palestinians is often not transferred. Some donors send money but often not in a well organised way. We cannot predict if and when the funds will come in order to be able to manage ourselves as the Palestinian Authority.

R. C.: Going back to your auditing activity. You mentioned financial audit. Do you also perform compliance and performance audits?

Abu Rabea: Yes, we have financial and compliance audit. But now, as I told you, we are starting with the Swedish NAO environmental audit, which is performance audit.

Through the EU assistance project, we also have an expert, who will start a training “on the job” next month in this field with six persons of our department.

R. C.: You came here in the framework of the European Union Visitors programme. What does it entail?

Abu Rabea: The EU has a special programme inviting counterparts from different countries in which the EU supports projects to familiarize themselves with the institutions of the EU, to build new contacts between persons and institutions. Before coming here I have been to Brussels, where I have visited the Committee of the Regions, the European Commission, the Centre of European Policy Studies and the European Parliament.
R. C.: What do you wish for your institution?

Abu Rabea: As an audit institution we want to help all the entities under the Palestinian authority to become self-dependent, to find from own resources a solution for the financial crisis, in order to avoid control by Israel. We respect the donors but not always they are available at any time.

We have to achieve this by improving policies, in particular the revenue policies of the ministry of finance, and by fighting corruption. We contribute with our reports. The responsibility for the implementation of our recommendations will really lie with the Palestinian State Council. When our Parliament comes back to work, the force of our message will be stronger and the audited entities will have to respond to the committees of Parliament.
Mr Robert TALAGA is a postgraduate grant holder in the framework of the programme created by the European Court of Auditors and the European University Institute (the Historical Archives of the European Union) for researchers engaged in research on European public finances.

This article was written for the Journal and is based on his research paper “Proceedings of distribution of the EU Funds and control process of implementation of the EU Regional Policy”.

Need for stronger coordination in the system of EU Cohesion Policy

In a system as complex as Cohesion Policy it is necessary to elaborate on certain common solutions in order to guarantee smoother implementation that will allow policy objectives and results to be achieved more effectively. This article presents the main, persistent problems with the implementation of EU funding. It starts with an analysis of past experiences before examining current problems based on own research conducted in four countries (Poland, Latvia, Spain and the UK) and ends by making general recommendations. In this context, when researching and identifying the features which characterise all the chosen countries with regard to implementing EU funding, identifying good practices and producing recommendations would provide significant value added.

Experiences with EU funding from an historical perspective

Even before the reform of the Regional and Cohesion policies, the ECA had published special reports referring to the Structural Funds. For example, a four-part report on non-quota measures as at 31 December 1985 examined the main stages of preparing and implementing non-quota measures. The report referred to the regulations setting up these measures, the special programmes devised for their implementation, financial execution of the measures and the annual progress reports submitted by the Member States. It contained the level of eligible costs co-financed from the ERDF and the State (regional) aid ceiling together with ways of implementing the programmes open to the Commission and the Member States as well as the aid recipients. At the end of each year, the Member States had to submit a report to the Commission on progress made in implementing each special programme, with reference to the information stipulated in the annex to the regulations instituting the non-quota measures. The reports were designed to enable the Commission to satisfy itself that the special programme was being implemented, observe its effects and ascertain whether the various operations were being performed consistently [ECA, Special Report No 2/86]. Some common features can still be found in today’s EU regulations.

Analysis of the ECA’s Special Report No 1/88 on national and Community systems and procedures relating to the management of the European Social Fund revealed that national authorities are responsible for submitting aid and payment applications for the Member States.

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1 ECA Journal paper based on the grant report “Proceedings of distribution of EU Funds and control process of implementation of EU Regional Policy”. All other errors are attributable to the author. The author would like to thank Gilberto Moggia for his helpful comments. The author works in the Voivodship Administrative Court in Poznan, Poland. E-mail: robert.talaga@wp.pl.

These national administrations appointed by the Member States are part of the local Ministry of Labour (or Employment). The Commission therefore takes the lead in finalising new Community concepts where these are lacking and acts to clarify some of the existing Community rules and improve the reliability of the aid and payment applications submitted by the Member State. As far as the preparatory procedures concerning management regulations, decisions and guidelines are concerned, the following shortcomings were found:

- the Community develops few activities of its own and only participates by granting financial aid to vocational training and recruitment measures set up in the MS and subsidised by the public authorities to an extent which at least equals the Community's financial contribution. As a rule, these measures have therefore already been taken by the national systems;

- the established system has to process too many files, to the point where it becomes virtually impossible to manage them properly.

The following management weaknesses at the Community level should also be mentioned:

- the excessively imprecise nature of the criteria governing admissibility, eligibility and priority contained in the implementing rules
  - absence of any common approach to a series of concepts in the employment field
  - excessive formality of the processing procedure adopted by ESF departments for aid and payment applications
  - absence of any systematic assessment of projects co-financed by the ESF
  - inadequacy of the system of on-the-spot checks carried out by Commission departments, which instead rely on certification from the MS

On account of such deficiencies in management by the Commission, whatever the policy, it is impossible to root out certain weaknesses within MS practices. This is why the following notable shortcomings were observed at national level:

- lack of specific checking by the relevant MS responsible for monitoring expenditure incurred under the project approved by the Fund;

- differing interpretations by the MS of certain Community rules, which in turn are not clear-cut;

- divergent, opaque and unreliable national certification procedures.

Possibilities for improvements were drawn up in terms of the quality of the provisions which may be adopted in relation to the tasks assigned to the Structural Funds and the coordination of their activities [Proposal for Council Regulation No 87/c 245].

Later, during the first programming period following reform of the policy (1989-1994), the Member States and the Commission were unable to find satisfactory common solutions for the implementation of EU funding by the MS - e.g. the case of Spain [Ordenez Solis, 1997]. Examination of ECA and Commission annual reports should provide a good opportunity for proposing and adopting in good time any new decision suitable for the implementation or, if necessary, rapid adjustment of the programmes. Progress also still has to be made on this point. **What is interesting is how similar problems persist in terms of Cohesion Policy implementation.**
NEED FOR STRONGER COORDINATION IN THE SYSTEM OF EU COHESION POLICY

Some improvement proposals still appear to be valuable and need to be taken into consideration. The Commission should improve its appraisal of the programmes submitted for approval by the Member States and make full use of the possibilities provided for by the rules currently in force so as to ensure management and supervision of the measures, notably by means of more frequent and systematic on-the-spot checks.

Within the programme content, the Commission and the Member States should endeavour to focus more on the operational and technical aspects of the contributions and on the results attainable in the light of the regulatory objectives. There is also a suggestion that the local authorities involved should be better-informed about, more involved in and more aware of the design, objectives and methods of policy-making and regulations. In too many cases, the programmes have turned out to be superficial documents while the conditions necessary in order to implement them and achieve the objectives were not met in practice.

At the financial level, management of the Commission's share of funding still lacks a suitable documentary and accounting framework to show current financing and the fairly large amounts of outstanding funding.

The Commission should also specify the content of the annual reports to show what information is required in order to evaluate the progress of operations and justify the effects of measures. Even in a system of global financial certification, such as non-quota measures, the Commission is responsible for justifying expenditure. In this respect, the annual reports should be essential documents and the information which they are required to contain should be clearly set out so that they can be used as a tool for assessing expenditure eligibility and carrying out any on-the-spot auditing of spending.

In more recent discussions between the institutions involved in control activities, some opinions have emerged which state that:

“The common standard should be applied through the use of a common approach to documenting, evidencing and reporting all aspects of the process including: reason for selection of the transaction or system; objective of the checks; description of the checks undertaken; supporting documentation; results; reaction of controlee; and follow-up. This information should be maintained in central databases, with access available to all participants in the control process subject to appropriate security safeguards” [ECA, Opinion No 2/2004].

This quote refers to specific control actions implemented by the European Court of Auditors, the Commission and the institutions involved in the financial management of funding. The tangible effects of the discussion include the single audit concept and improvements to the quality of management and control systems in the Member States. This observation was formulated on the basis of Commission, ECA and OLAF reports relating to the use of EU funds’ use in previous years.

Factors and conditions influencing the performance of EU Cohesion Policy in the Member States

In federal and autonomous states, federal and regional administrations usually cooperate by agreeing co-decisions on policy implementation. The situation on the ground in unitary/centralised states can be somewhat more complicated. Central management of the regional programme (as was the case in Poland during 2004-2006) runs counter to the partnership principle under Cohesion Policy, but in pragmatic terms it can be a lot more convenient for the EU institutions in terms of supervising and monitoring how EU funding is used. What is also important while analysing entire systems is a quality of law on the use of funds (mainly national law) which strongly influences and
reflects the administrative capacity of the EU Member States (MS). This aspect can be controlled by the stakeholders involved in the policy phases, and there are also beneficiaries, authorities and courts that may point out certain irregularities and contribute to how the system functions overall. For that reason, another aim of this grant (referred to in part by this report) was to present different procedures for contesting and appealing in respect of EU funding, which were designed in the legal systems of the MS. It is obvious that each MS can develop such a procedure on an arbitrary basis because of the national autonomy over procedures in each MS. In this situation any solution will depend on the internal circumstances of each country (e.g. form of government, tradition, legal system). In these areas the EU does not impose a solution on the MS and the procedural process is decided by the MS themselves, which are exclusively responsible for the implementation of European law. In spite of this, each MS is supposed to devolve part of these tasks to lower-tier public authorities. In many cases it means regional self-government (e.g. Poland). In other cases, the regional authorities in the federal state can be even more/fully responsible for the actual distribution of EU funds (e.g. Spain, UK). Moreover, in small states especially there is less need and the national government alone is expected to take full responsibility for all proper measures (e.g. Latvia). There are no simple or single solutions in these fields. However, European policy cannot be provided without management and responsibility being shared with the regional authorities, which have many legal instruments to take the necessary action [CRAIG, 2009, pp. 34-62; MIĄSIK, PÓŁTORAK, 2012, pp. 180-181].

On this basis, administrative procedures connected with the EU Funds were created in each MS. A comparison of four different types of country (two new Member States – Poland and Latvia – and two old ones – Spain and the UK) can provide some very interesting findings, especially if we also take into account the fact that Spain is a typical regional (i.e. decentralised) country, whereas the UK, Poland and Latvia are unitary states with different levels of decentralisation or devolution. Therefore, each country has a completely different structure when it comes to possible ways of distributing EU funding, e.g. each region in Spain is responsible for preparing its own law for stakeholders eligible for EU funding. In the UK and Poland, self-government authorities are broadly entitled to develop a formal system for implementing operational programmes. However, the national government in Latvia, which ranks as a single region, is expected to guarantee a stable legal system for implementing Cohesion Policy.

The most important stipulation in Latvian legislation is that awarded EU funding shall be settled in accordance with the procedures specified under the Administrative Procedure Law, the Civil Procedure Law and in other regulatory enactments. This solution was successfully designed for three operational programmes implemented within the state of Latvia.

A very similar situation can be seen in Spain, where administrative procedures are associated with legal acts which apply throughout the whole country. In a country with a regional administrative system, it was possible to incorporate all 45 operational programmes within a single common procedure. This differs from the procedural system in Poland (a unitary centralised state), for example.

In the Polish legal system an entirely different regulation was finally introduced, under which administrative procedures on contesting decisions regarding rejected projects were left to each Managing Authority. Under this solution, in Poland there is no single official legal act (generally applicable law), as in Spain and Latvia, but 21 special administrative procedures associated with the aforementioned appeal against a project’s rejection. However, there is a constitutional judgement providing that in the Polish legal system any procedural act should be entered into generally
applicable law, which means there should be a single generally applicable procedure concerning the distribution of EU funds [Constitutional Tribunal of the Republic of Poland, judgement No. P 1/11]. In all the proposed amendments, which should take effect by the end of June 2013, the final resolution of the Managing Authority can be appealed in the administrative courts under special procedures used solely for EU funds.

In Latvia, a decision on the recovery of awarded funding will be taken in accordance with the procedures specified in the Administrative Procedure Law; secondly, a dispute involving either the disbursement or continued disbursement of financial resources will be settled using civil-law procedures.

Here again, Poland provides different solutions in this area. A decision on recovery can be issued and appealed against pursuant to the Administrative Procedure Law and the Public Finance Law.

Comparing the Latvian solution with Polish legislation reveals a basic difference, because the same competences are contained in assorted different acts. In one such act (Act of 6 December 2006 on the principles of development policy) there is a basis for granting or rejecting projects co-financed with European funding, while another (Act of 27 August 2009 on the public finances) provides a basis for recovering this aid.

In conclusion, it can be said that each country has its own standard of judicial protection for applicants and beneficiaries. Despite those differences and specificities, the author suggests that introducing some common standards for such protection under EU law might be considered. Until now, this matter was not discussed by either the European Court of Auditors, given its specific focus on the more financial aspects of the use of funding, or any other European institution. Standardisation can be difficult, but there is room for some sort of framework solution.

This solution appears to be very comprehensive and useful in its scope. In the author’s opinion it could be a good pattern to emulate in the different MS if there are no significant obstacles to its use. In addition, it is worth mentioning that the Polish legal system only provides a similar solution for EAGF and EAFRD. Unfortunately, this solution was discarded for scheduled ESF and ERDF management as these were placed in a system characterised by a host of procedures created by the Managing Authority within each operational programme. In this sense, it can be regarded as a solution similar to the one applied in the UK.

Trends towards the rationalisation of management arrangements in the United Kingdom appear to reflect a mix of domestic and EU factors.

The review also refers to the potential for further devolution of Cohesion Policy responsibilities down to sub-regional and local levels. More specifically, it states that RDAs will be expected to “delegate responsibility for spending to local authorities or sub-regions wherever possible, unless there is a clear case for retaining spending at the regional level” [BAUN, MAREK, 2008, pp. 34-51].

The general approach for 2007-2013, under which eligibility rules are established at national level, seems to have been retained for the future. However, common rules should be adopted on key points such as overheads covering different EU funds. Alignment of rules on the eligibility of expenditure across policy areas, financial instruments and funds would simplify the use of funds by beneficiaries and the management of funds by national authorities, thereby reducing the risk of errors while providing for differentiation where needed in order to reflect the specificities of
the policy as well as its instrument and beneficiaries. In line with the proportionality principle, it would also be useful to examine how control measures could be made more cost-effective and risk-based in order to improve their effectiveness and efficiency while ensuring adequate coverage of the inherent risks at reasonable cost in accordance with the principle of sound financial management [COM(2010) 642 final].

The Commission’s proposal for 2014-2020 continues to build on these actions in order to increase assurance further, notably by strengthening the accountability of the Member States while retaining the Commission’s tool for corrective actions, in accordance with the proposed new rules for shared management in the draft Financial Regulation [European Commission, SEC (2011) 1179 final]. Furthermore, procedural and appeal procedures should contain common standards, provided in either Directive or even Regulation form.

Table 1. Evaluation of the control model versus good practices identified in the EU and the Member States (MS) analysed, 2007-2013

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### Member States

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<td>UK – some elements of strong coordination on project selection at national level (HM Green Book on projects)</td>
<td>More single solutions with regard to the national specificity of legal and administrative divisions</td>
</tr>
<tr>
<td></td>
<td>Positive – enhancing the regional level Negative – too many regulations at regional level</td>
<td>Greater coordination at national level in terms of administrative proceedings: common appeal procedures</td>
</tr>
<tr>
<td><strong>Regionalisation / decentralisation of management and control</strong></td>
<td>Positive – enhancing the regional level Negative – too many regulations at regional level</td>
<td>Latvia – a single common legal act (Law On Management of European Union Structural Funds and the Cohesion Fund)</td>
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<td></td>
<td>Spain – coordination of administrative procedures (e.g. Ley 30/1992)</td>
<td>Spain – coordination of administrative procedures (e.g. Ley 30/1992)</td>
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<tr>
<td></td>
<td>Change coming from proposed place-based approach in Commission 2014-2020 regulation proposals – fewer OPs, institutions</td>
<td>Reduction in the number of institutions involved in implementation</td>
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<tr>
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<td>Greater coordination between Monitoring Committees’ guidelines on operation selection</td>
<td>Reduction in the number of on-the-spot checks</td>
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<tr>
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<td>Greater coordination between Monitoring Committees’ guidelines on operation selection</td>
<td>Reduction in the costs of project in favour of activities and results</td>
</tr>
</tbody>
</table>

**Own research**

The summary in Table 1 also attempts to identify the features of management and control systems and how they impact on EU and country performance, and to answer questions on the existence of a general model or single form of good practice. It is easy to observe that some common solutions could be adopted in the future (treated as a sort of benchmark), whereas implementation in other areas should probably be left to the Member States.
Towards standardisation? Conclusions and recommendations

The research findings, described in my report, conform to solutions proposed in the draft regulations (the Commission legislative package) on EU funds for 2014-2020. A new territorial approach, together with joint regulations referring to all funding for 2014-2020, may affect policy-making by reducing the number of operational programmes and institutions, e.g. MA involved in the implementation of Cohesion Policy in the Member States.

Even though it is no easy task to define common solutions with accuracy, as this particular research paper has shown, it is worth emphasising that the findings presented by the author are also in line with the recommendations outlined in the DG REGIO report of July 2012, one of whose key proposed changes is to have fewer control institutions and to merge the Managing and Certifying Authority functions (Accredited Body), together with simplified project preparation and cost calculation [European Commission, 2012; ECA, Opinion 7/2011]. According to this, the proposed changes may even reduce the burden by 20% in some areas when comparing 2014-2020 and 2007-2013 [European Commission, 2012].

Current 2007-2013 experiences have also prompted another DG REGIO recommendation to simplify the future project selection procedure in order to avoid many of the errors found by national institutions, the Commission and the ECA. The ECA has also presented a set of opinions on future solutions [e.g. ECA Opinion No 2/2004; ECA Opinion No 1/2010; ECA Opinion No 6/2010]. But in 2011 ECA supported the introduction of Joint Action Plans under the 2014-2020 Cohesion Policy and more effective supervision of policy implementation and results, whereby properly functioning systems are crucial elements of the multiannual financial framework from the very beginning, because they are the main source of errors. The functions of institutions involved in the control process would also be merged [ECA, Opinion No 7/2011].

In the Annual Report on the Implementation of the Budget [ECA, 2012, Annual Report] the ECA underlined as well a need for a better quality of management and control systems that should help reduce the number of errors in EU payments within EU Cohesion Policy.

In the author’s opinion, however, none of the necessary coordination actions can overlook the capacity level of public administrations in the Member States. Coordination undertaken at EU level may force national institutions to learn more, but some disparities persist between countries in the quality of governance. It is worth mentioning that, in countries with different levels of decentralisation and different levels for the delegation of tasks, it can be difficult at times to carry out the required checks relating to financial control without potential conflicts arising among the institutions already involved in the process and accustomed to performing their duties [European Commission, 2012].

In terms of appeal procedures, there should be a single solution in a particular country (e.g. Latvia, Spain) that could serve as a recommendation for others, like Poland. This approach has also been aired in Poland during recent debates between the Polish Constitutional Tribunal, institutions (MA, the courts) and opinion-makers [EUROPEAN PARLIAMENT, 2007; Constitutional Tribunal of the Republic of Poland, Judgement P 1/ 11]. These single solutions can also strengthen the process of social democratic control in the Member States.

In general, however, the path towards deeper coordination and the introduction of more unified – and in some cases single – solutions from the EU level downwards seems the right one with regard to past and present experiences with the implementation of Cohesion Policy.
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