

# Response of the European Court of Auditors to the Commission's second Article 318 evaluation report

1. In November 2012, the Commission published its second report to the European Parliament and the Council on the evaluation of the Union's finances based on the results achieved (the evaluation report)<sup>1</sup>. The present document constitutes the Court's response, designed to be available in time for the 2011 discharge procedure. This response is based on a limited review and not on an audit of the information contained in the report.

## Main message

2. The Court finds the broader scope, compared to the first evaluation report, an improvement. The report gives some indication as to the effectiveness and efficiency of the programmes, but it is not conclusive concerning the expected final results or impacts. As a consequence, the evaluation report does not yet provide sufficient, relevant and reliable evidence on what the EU's policies have achieved and is therefore not suitable for its intended use in the discharge procedure.
3. The Court considers that a reliable system for collecting performance data needs to be established in order to identify and report on results and impacts, as they become available. The building blocks for this system need to be put in place during the preparations of the new programming period. The Court therefore recommends that the Commission, as soon as possible, presents a plan/overview of the intended performance management and reporting system, including the design and role of the evaluation report, to the discharge authority.

## Background

4. The requirement to produce an evaluation report derives from the Treaty<sup>2</sup>; the report should be part of the evidence on which the Parliament gives a discharge each year to the Commission in respect of the implementation of the budget.
5. The Commission's first evaluation report was published in February 2012<sup>3</sup> and was mainly a summary of existing evaluation reports in two policy areas. In that report, the Commission raised the question of the function and timing of the

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<sup>1</sup> COM(2012) 675 Final.

<sup>2</sup> TFEU, Articles 318 and 319.

<sup>3</sup> COM(2012) 40 Final.

report [...] particularly given the varying timing and length of periods covered by the evaluation work carried out compared with the more specific annual focus of the budget discharge process.’ The Commission also stated that it was ‘examining further how to develop the content of this report.’

6. The Parliament, in its May 2012 decision on the 2010 discharge, concluded that ‘the coverage and contents of the first Evaluation report do not live up to what could be expected of an evaluation report required by the TFEU’, and invited the Commission ‘to further develop the content of the Evaluation report [...] and, in particular, to identify the added value of this Evaluation report compared to “normal” evaluations’ [...].<sup>4</sup>
7. In June 2012, the Court issued its own opinion on the first evaluation report<sup>5</sup>, concluding that it was vague, short on substance and adding little value. It considered that the Commission should actively consult the Parliament and Council with a view to clarifying what the Treaty was asking of it. If the evaluation report was to make an effective contribution to increasing its accountability to the discharge authority, the Commission needed to consider its purpose, content, scope and timing.

### **The second evaluation report**

8. The second evaluation report provides an overview of the various evaluations completed in 2011<sup>6</sup>, covering all budget headings with operational expenditure and grouped by the main policy areas in the 2007-2013 multi-annual financial framework. The Court finds the broader scope an improvement – the report gives a condensed and easily accessible overview of the many evaluations carried out. The report provides some indication as to the effectiveness and efficiency of the programmes. However, it mainly draws on interim evaluations which have a strong operational focus, and is not conclusive concerning the expected final results or impacts.
9. The Court considers, as also recognised by the Commission, that suitable (i.e. ‘SMART’<sup>7</sup>) objectives, indicators and milestones should be established across all

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<sup>4</sup> European Parliament decision of 10 May 2012 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2010, P7\_TA (2012) 0153, paragraphs 99 and 100.

<sup>5</sup> Opinion No 4/2012 (OJ C 179, 20.6.2012, p. 1).

<sup>6</sup> 118 evaluations in total, plus 39 evaluation-related studies.

<sup>7</sup> Specific, Measurable, Achievable, Relevant and Timed.

operations<sup>8</sup>. This is an essential requirement in order to track performance throughout the lifetime of programmes and assess whether the defined objectives and impacts are likely to be achieved. The legislator has an important role in ensuring that clear policy objectives are in place. The Court has also previously recommended<sup>9</sup> that a clearer definition of “EU added value” would provide guidance to the EU’s political authorities when choosing expenditure priorities; a clear definition would thus assist in setting appropriate objectives, performance indicators and milestones.

10. The Commission identifies a number of issues which need to be taken into account in the design of future reports and notes that the conceptual work for creating a reporting framework has started. The Court recognises that it will take time for the Commission to develop a suitably robust performance management and reporting system. However, it is important that the Commission puts in place the building blocks for a strong system, which can provide robust performance data, before the programmes in the next multi-annual financial framework commence.
11. The Court recommends that the Commission, as soon as possible, engages with the discharge authority and presents a plan/overview of the intended performance management and reporting system. This should include the steps required to achieve better and timely performance data from all DGs throughout the lifetime of programmes, how this data will feed into the performance part of the Annual Activity Reports and the link between the Annual Activity Reports, the Synthesis Report and the evaluation report. A consistent and robust performance management and reporting system should allow the evaluation report to add value by providing a horizontal analysis of performance throughout the budget, including lessons learned and corrective measures required.
12. Like its predecessor, the second evaluation report bases its substantive conclusions entirely on evaluation reports. As the Court pointed out in its opinion, however, there are many other potential sources of information available to the Commission in forming a rounded view of performance. These include the Court’s own special reports, the DGs’ annual activity reports and the results of internal audit assessments.
13. It may take some time until the Commission is in a position to produce a comprehensive evaluation report, based on robust performance data generated from a consistent performance management and reporting system. It might,

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<sup>8</sup> Including programmes with no or little operational expenditure.

<sup>9</sup> Opinion No 1/2010, paragraph 18.

therefore, also be useful for the Commission to discuss with the discharge authority what it should provide, by way of evaluations, until that time is reached.

### **Final remarks**

14. The Commission presented its evaluation report in November 2012. That being the case, the Court has sought to provide a quick response to the report, in time for the discharge, and based on a limited review. The Court will hereafter consider where and how the information given in the evaluation report can be incorporated into the Court's audit work.
15. The Commission is free to consult the Court at any point during the future process of developing the evaluation report.