

EUROPEAN COURT
OF AUDITORS

Special Report No 10

2009

INFORMATION PROVISION
AND PROMOTION MEASURES
FOR AGRICULTURAL PRODUCTS



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INFORMATION PROVISION AND PROMOTION MEASURES FOR AGRICULTURAL PRODUCTS

(pursuant to Article 248(4), second subparagraph, of the EC Treaty)

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Special Report No 10 // 2009

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Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2009

ISBN 978-92-9207-362-6

doi:10.2865/50551

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Printed in Belgium

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REPLY OF THE COMMISSION

GLOSSARY

Countries that can be covered by the measures: If a non-Community country is targeted, it must be on the list of eligible third countries or areas to be drawn up by the Commission in accordance with Article 4 of Regulation (EC) No 3/2008.

This list is currently shown in Annex II to Regulation (EC) No 501/2008.

Guidelines: For promotion on the internal market, the Commission must adopt guidelines to be followed defining the strategy for the proposed programmes for each of the selected sectors or products; these guidelines must provide general indications concerning the objectives and targets to be reached, the themes, the types of measures, the duration of programmes and the indicative distribution of the Community's financial contribution. Currently, these guidelines are set out in Annex I to Commission Regulation (EC) No 501/2008 (OJ L 147, 6.6.2008, p. 3) and the indicative budget is shown in Annex III to this regulation.

For promotion in third countries, the Commission may adopt guidelines for each of the selected sectors or products.

Implementing body: After inviting competitive offers by all appropriate means, the proposing organisation shall select the bodies responsible for implementing the programmes (Article 11 of Regulation (EC) No 3/2008).

These are typically communication and advertising agencies.

Monitoring group: The programmes are monitored by a monitoring group, comprising representatives of the Commission, the Member States concerned and the proposing organisations.

Programme: The various information and promotion measures for agricultural products shall be implemented as part of an information and promotion programme (Article 1 of Regulation (EC) No 3/2008).

Proposing organisation: This term designates the 'organisations responsible for implementing information and promotion measures' defined in Article 6 of Council Regulation (EC) No 3/2008 (OJ L 3, 5.1.2008, p. 1). These are the trade and/or inter-trade organisation(s) representing the sector(s) concerned in one or more Member States or at Community level which draw up proposals for information and promotion programmes.

Themes and products which may be covered by the measures: The themes and products which may be covered by a co-financed programme are defined in general in Article 3 of Regulation (EC) No 3/2008. Within this framework, the Commission draws up lists of the eligible themes and products which are revised every two years. These lists are currently to be found in Annexes I and II to Regulation (EC) No 501/2008.

EXECUTIVE SUMMARY

I.

The European Union has implemented and co-financed promotion measures for agricultural products since the beginning of the 1980s. From 1999 on, the various existing arrangements were brought together into a common scheme for all the products concerned. These promotion measures are mainly programmes of between one and three years co-financed up to a maximum of 50 % by the European Union and destined both for the internal market and for third countries.

II.

The Commission is currently making a thorough review of the scheme. In particular, this could result in a significant increase in the information and promotion budget.

III.

The Court's audit concerned the effectiveness of the information provision and promotion measures and the regularity of the expenditure earmarked for this purpose. The audit was carried out at the Commission and in the three Member States principally concerned by the scheme.

IV.

The Court found that the Commission had for some years been making improvements to the management and control arrangements for expenditure connected with information provision and promotion measures for agricultural products. Through this process, positive results have already been obtained in some areas but it still needs to be further consolidated and expanded.

V.

The Court also found that the impact of the policy, although it is probably positive, is at present difficult to measure. There are no specific objectives based on an explicit strategy which can serve as a yardstick for evaluating the effectiveness of the policy. Defining a specific strategy and objectives therefore seems a precondition for defining suitable indicators, which are lacking at the moment. The impact to be expected from the promotion scheme is nevertheless circumscribed from the start by a budget that is relatively modest in relation to the large number of products and geographical areas to be covered and the lack of an adequate procedure for ensuring complementarity with the various national or private promotion measures. Finally, although the information available encourages expectations of a positive impact, the limitations of this information make it difficult to measure the individual effectiveness of the co-financed programmes, and indeed the overall effectiveness of the policy.

VI.

The Court therefore recommends that the policy objectives be specified, whilst at the same time ensuring that the stated ambitions and the budgets that are committed are consistent with each other. These objectives should be expressed as 'SMART' objectives, so that suitable performance indicators can be defined and monitored. A formal procedure for consulting all the stakeholders should be introduced for the whole process, from defining the strategy through to implementing the procedures that ensure complementarity with the various promotion measures that already exist.

EXECUTIVE SUMMARY

VII.

In the absence of a useful measure of their impact, the anticipated effectiveness of the measures rests in large part on a suitable selection of programmes proposed. Although control by the Member States remains sometimes too limited in this area, the Commission has become much more demanding and selective. This improvement nevertheless needs to be confirmed.

VIII.

The Court therefore recommends that the improvements currently being made to the Commission's selection procedure should be continued, especially as regards the requirement for information on the expected impact of the programme and the manner in which it will be measured, and that the Member States should continue to increase their selectivity, amongst other things by verifying information as to the relevance of the proposals.

IX.

The checks made on the selection of the implementing bodies, which have a key role to play in programme implementation, are too limited. The Commission's subsequent monitoring of expenditure, on the other hand, has been stepped up. By contrast, significant control weaknesses, which had been repeatedly identified over the last few years, still persist in Spain and Italy. Although action has finally been taken in these two Member States in an attempt to correct these shortcomings, at the time of the audit it was still too early to say whether these changes had been effective, so this will have to be confirmed in the future.

X.

The Court recommends that checks on the selection of implementing bodies should be stepped up and that the control weaknesses identified in one Member State should be followed up so as to ensure speedy improvement in these shortcomings.

XI.

When considering the potential impact of the recommendations made in this report, the size of the budget devoted to the promotion arrangements needs to be borne in mind. The Commission is currently making a thorough review of this scheme. This could in particular lead to a proposal to significantly increase the information and promotion budget. For that reason, the Court recommends that these improvements be made as soon as possible.

INTRODUCTION

GENERAL FRAMEWORK

1. The European Union has implemented and co-financed promotion measures for agricultural products since the beginning of the 1980s. Until 1999 these measures were handled sector by sector, on the basis of a range of regulatory provisions specific to the various common market organisations (CMOs).
2. In 1999 these regulations were harmonised and replaced by a scheme combined in two Council regulations¹ which governed promotion in third countries and promotion on the internal market respectively. These two regulations were then amalgamated at the beginning of 2008 into Council Regulation (EC) No 3/2008², which is a single regulation covering all policies for promoting agricultural products without modifying significantly the content of the two previous regulations.
3. According to the regulations now in force, the measures referred to must cover a period of between one and three years and may consist of public relations, promotional or publicity actions, which must highlight the advantages of EU products, especially in terms of quality, hygiene, food safety, nutrition, labelling, animal welfare or respect for the environment. Also covered are participating in events and fairs, information campaigns on the EU system of protected designations of origin (PDO), protected geographical indications (PGI), traditional speciality guaranteed (TSG), quality wines produced in specified regions ('quality wines psr'), or information on EU quality and labelling systems and on organic farming. Regarding third countries, such measures may also include studies to find new markets.
4. Subject to specific exceptions, these programmes are financed up to a maximum of 50 % by the European Union, the remainder being paid by the trade and/or inter-trade organisations that proposed them (minimum 20 %) and by the Member States concerned.

¹ Council Regulation (EC) No 2702/1999 of 14 December 1999 on measures to provide information on, and to promote, agricultural products in third countries (OJ L 327, 21.12.1999, p. 7) and Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market (OJ L 328, 23.12.2000, p. 2).

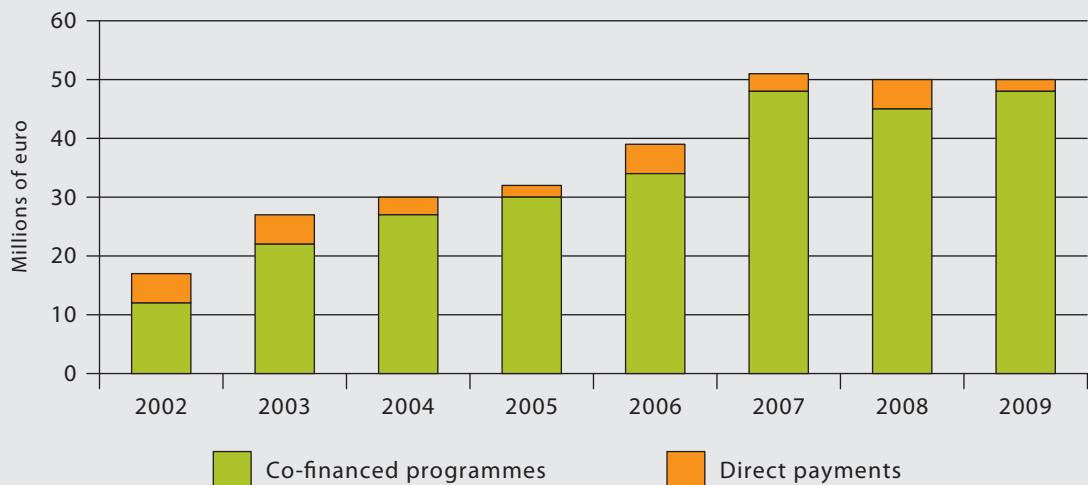
² Council Regulation (EC) No 3/2008 of 17 December 2007 on information provision and promotion measures for agricultural products on the internal market and in third countries (OJ L 3, 5.1.2008, p. 1). See *Annex I* for the sequence of the various implementing regulations in force during the period of the audit.

RECENT INFORMATION PROVISION AND PROMOTION MEASURES

- 5. The annual budget appropriations for information provision and promotion measures for agricultural products have risen strongly over the last few years, from 17 million euro in 2002 to 50 million euro since 2007 (see **Graph 1**).
- 6. Most of the cost relates to the EU's co-financing of programmes. Around 200 programmes were running during the period 2007–08, involving 23 different Member States, sometimes as part of 'multi-country' programmes co-financed by several Member States at the same time.
- 7. In response, amongst other things, to a request from MEPs, the Commission is currently making a thorough review of this scheme, mainly as regards third countries. This could in particular lead to a significant increase in the information and promotion budget, as well as giving priority to programmes targeting third countries.

GRAPH 1

ANNUAL APPROPRIATION (PAYMENTS) ON INFORMATION PROVISION AND PROMOTION MEASURES



Source: General budgets of the European Union 2002–09.

OVERALL IMPRESSION OF THE MANAGEMENT SYSTEM

8. The programmes are usually submitted by 'proposing organisations'. Member States, having assessed proposals for programmes for conformity with the regulation, suitability and value for money, send the Commission those which they have agreed to co-finance. The Commission, after examining the proposals and possibly requesting amendments, selects the programmes that are to be co-financed.
9. These programmes are then carried out by the 'implementing bodies'. These bodies must be selected by the proposing organisation after 'inviting competitive offers by all appropriate means'. The Member State is responsible for monitoring the conditions under which the programmes are selected and for informing the Commission about this procedure.
10. Under the terms of shared management, the Member State is also responsible for monitoring the proper implementation of the programmes, payments to beneficiaries and related checks. A monitoring group, presided over by the Member State concerned and including in practice a representative of the Commission, meets regularly to monitor the progress of the various programmes.



Source: Association 5 al día.

AUDIT SCOPE AND APPROACH

- 11.** The main reason behind this audit is that, although the budget devoted to information provision and promotion measures for agricultural products is still relatively modest, it has been constantly growing over the last few years. Moreover, it could be further enlarged in the future, particularly as promotion measures are included in the 'Green Box' for WTO negotiations. Indeed, a request along these lines was made by the European Parliament at the end of 2007³.
- 12.** The Court's audit concerned the effectiveness of the information provision and promotion measures and the regularity of the expenditure. The audit questions were as follows:
- (a) Does the system of management and monitoring in place allow the Commission to demonstrate or measure the effectiveness of the measures?
 - (b) Does the system of management and monitoring in place make it possible to obtain reasonable assurance that programmes are selected in a regular, transparent manner and on the basis of relevant criteria and information?
 - (c) Does the system of management and monitoring in place make it possible to obtain reasonable assurance as to the legality/regularity of the expenditure?
- 13.** The audit was carried out between June and October 2008 at the Commission and in Spain, France and Italy. As shown in **Graph 2**, these three countries are three of the five main Member States concerned by the scheme. They represent nearly 45 % of the expenditure and Italy is the largest beneficiary.

³ See the explanatory memorandum of the 'Report on the proposal for a Council Regulation on the information provision and promotion measures for agricultural products on the internal market and in third countries (COM(2007) 268 — C6-0203/2007 — 2007/0095(CNS))'.

14. The audit mainly concerned the period from 2006 to the end of the first half of 2008. Since the promotion programmes are multiannual, reviewing the programmes selected in this period sometimes led to an examination of earlier documentation.

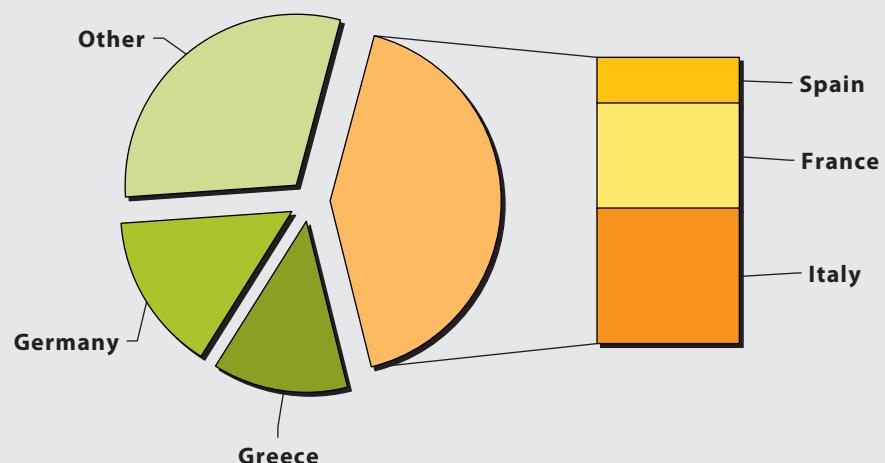
15. The audit approach consisted of assessing the procedures established by the Commission and Member States for implementing the policy. The audit work was based mainly on analysis, documentation and evaluation of the procedures and systems implemented during the main stages by:

- the Commission (selection of programmes, monitoring and checking of expenditure, monitoring of implementation and impact of the programmes); and
- the Member States (calls for proposals, preselection of programmes, checking the selection of implementing bodies, management and monitoring of the implementation of the programmes and payments made).

The auditors' work also included a visit to at least one proposing organisation which was a beneficiary of the policy in each Member State, and also to its implementing body.

GRAPH 2

MAIN BENEFICIARY MEMBER STATES (2007–08)



Source: European Commission.

OBSERVATIONS

THE IMPACT OF THE POLICY IS CURRENTLY DIFFICULT TO MEASURE

OBJECTIVES AND PERFORMANCE INDICATORS

- 16.** The stated objective of the information provision and promotion measures for agricultural products is to promote European agricultural products. However, the current arrangements result from merging the earlier schemes from the various CMOs without setting out an overall strategy or defining 'SMART'⁴ objectives.
- 17.** In the absence of 'SMART' objectives resulting from a clear strategy and by which the effectiveness of the policy could be evaluated, the indicators monitored and circulated by the Commission (see **Box 1**) are simply 'participation' statistics and do not measure the results or impact of the policy.
- 18.** Statistics such as these are not satisfactory as they are, but defining more suitable indicators seems difficult, pending a better definition of the objectives.

⁴ Article 27(3) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p. 1) provides that: 'Specific, measurable, achievable, relevant and timed [SMART] objectives shall be set for all sectors of activity covered by the budget'.

BOX 1

STATISTICS MONITORED BY THE COMMISSION

- Number of products involved.
- Number of countries or geographic areas covered.
- Number of programme proposals submitted to the Commission and acceptance rate.

LIMITS OF EXPECTED IMPACT OF THE POLICY

- 19.** Despite strong growth since 2002, the Community budget devoted to information provision and promotion measures is still relatively small in relation to the large number of products, geographical areas and subjects to be covered. In fact the Commission's guidelines cover most of agricultural production and a list of countries corresponding to most of the world market (see *Annex II*). In addition, there are many PDOs, PGIs and other quality labels which are suitable for promotion measures. Given these objectives, a comparison between the promotion expenditure of other national or private stakeholders confirms that the sums committed are rather modest (see **Box 2**).
- 20.** Taking into account this limited budget, the measures being taken cannot on their own have a significant impact on the objectives.

BOX 2

PUTTING THE EU'S BUDGET FOR INFORMATION AND PROMOTION INTO PERSPECTIVE

EU's budget for information and promotion

- 2002: 17 million euro.
- 2005: 32 million euro.
- 2008: 50 million euro.

Examples of other promotion budgets

- The Swiss federal budget alone provided 36 million euro of assistance to promote sales of various Swiss agricultural products in 2008 and the same sort of expenditure also exists in the cantons.
- The promotion budget of the Interprofessional Council of Bordeaux wine (*Conseil Interprofessionnel du Vin de Bordeaux, CIVB*) was more than 21 million euro in 2008.
- The Italian authorities plan expenditure in 2013 of more than 100 million euro just for the promotion of Italian wine.

- 21.** To achieve these objectives, these programmes ought at least, in accordance with the recitals of Regulation (EC) No 3/2008 (see **Box 3**), to be part of the wider framework of national and private measures, particularly through the notion of complementarity or the multiplier effect.
- 22.** There is, however, no instrument for guaranteeing or measuring, on the one hand, consistency or complementarity with the various national and private promotion policies, or, on the other hand, a 'multiplier effect on national and private initiatives'. Moreover, the Commission does not yet have full or reliable information about the various budgets or similar measures implemented in each Member State.



Source: Fancy Food Show (New York, July 2006).

BOX 3

**EXTRACTS FROM THE SECOND AND FOURTH RECITALS
OF REGULATION (EC) NO 3/2008**

- '[...] to develop an overall, coherent information and promotion policy [...]
- 'Such a policy usefully supplements and reinforces the schemes run by Member States [...].'
- 'Such action, by helping to open up new markets in third countries, is also likely to have a multiplier effect on national and private initiatives.'

- 23.** The available evaluation reports⁵, while recognising that Community co-financing may well have generated some positive effects, also underlined the absence of a coordination mechanism and the limited synergies or aspects of complementarity (see **Box 4**).

DIFFICULTY OF EVALUATING THE IMPACT OF THE VARIOUS PROGRAMMES

- 24.** The Court's auditors examined a sample of 30 programmes completed in the period 2006–07 in order to establish to what extent the available activity reports provided for in the regulations⁶ allow the Commission to demonstrate or measure the individual impact of the various programmes.
- 25.** This examination showed that the Commission does not have a formal procedure for analysing these reports. The cases examined did not always show signs of such analysis and some of them did not contain all the reports or other requisite items.

⁵ The Commission ordered seven external evaluations during the period 2006–07 on various subjects or geographic areas. These evaluations were based *inter alia* on examining samples of programmes implemented with effect from 2002 or 2003.

⁶ Articles 13 and 14 of Commission Regulation (EC) No 1071/2005 (OJ L 179, 11.7.2005, p. 1) and Articles 14 and 15 of Commission Regulation (EC) No 1346/2005 (OJ L 212, 17.8.2005, p. 16) provide for the preparation by beneficiaries of reports containing *inter alia* 'a summary of the work carried out and an evaluation of the results obtained [...]'.

BOX 4

EXTRACTS FROM EVALUATION REPORTS ON THE LIMITS OF COORDINATION AND SYNERGIES

- 'The regulations do not provide clear and explicit incentives for promoting synergies between co-financed programmes, whether within a single country or between countries. The same was observed of synergies between co-financed programmes and MS or private sector programmes.'
- 'The regulations and programme documents do not refer to how synergies can be brought about and there is no evidence that any of the campaigns have promoted cooperation at EU level. [...] No synergies or specific coordination mechanisms have been identified between co-financed programmes [...].'
- 'Only the national authorities and proposing organisations are able to ensure complementarity between European, national and private promotion initiatives. Whilst redundant aspects and contradictions had been avoided, few synergies could be identified [...] The diversity of the programmes being supported does not promote complementarity between European programmes.'

26. In most cases⁷ the 'summary of the work carried out' is sufficiently detailed to understand the way in which the money was spent and what measures were carried out, and to ensure that these were consistent with the promotion objective. By contrast, although the auditors could see an improvement, the quality of available information on 'the evaluation of the results obtained' is still less than satisfactory (see **Box 5**):

- (a) Almost all the reports contain a qualitative assessment of the impact but, in most cases, it is not documented or even properly argued and therefore it is not actually possible to evaluate the impact of the measures.

BOX 5

**EXAMPLE OF A NON-DOCUMENTED QUALITATIVE APPRAISAL
IN ONE OF THE ACTIVITY REPORTS EXAMINED**

The 'Evaluation of the project's impact' section of one report that was examined stated 'Even though we do not have completely exact indicators, we can assure you with absolute confidence and in all conscience that the three-year campaign conducted by the XX company has achieved excellent results, which are on a par with or even better than those forecast in the approved programme [...]'.

**EXAMPLE OF AN INDICATOR NOT DIRECTLY CORRESPONDING
TO THE AIMS SET BY THE PROGRAMME**

One programme had as its objective to inform consumers about the specific qualities of PDO dairy products. Although the implementation report states the number of contacts achieved by the various measures, it does not contain any analysis of the impact of these contacts on the level of information to consumers.

Conversely, an analysis of this kind did form part of the implementation report for a 'Poultrymeat' programme that was examined.

EXAMPLE OF INDICATORS ANNOUNCED BY THE PROGRAMMES BUT NOT FOLLOWED UP

One 'Fruit and vegetables' programme set specific objectives ('to achieve average fruit and vegetable consumption of 6,2 portions per day and per person'; 'to achieve an average level of consumption of four apples per week per person'; 'kiwis: to achieve a 60 % market penetration rate') and even stated 'The progress made in achieving these objectives will be monitored annually'.

But the reports that were examined did not contain any indicator corresponding to this planned monitoring.

One 'Wine' programme was forecasting 10 million contacts, but the corresponding reports did not contain any monitoring of this indicator.

⁷ Six examples were found in the sample that was examined where the auditors considered that this was not the case.

- (b) Most reports contain quantitative indicators but these are mostly of the type 'number of contacts generated'. Although this type of indicator can contribute to the evaluation of the impact of the measures, it is often insufficient when it comes to the real objectives of programmes designed to increase sales or improve consumer knowledge.
- (c) Certain reports⁸ do not contain the impact indicators which were announced when the programme was approved.

⁸ Three examples were found in the sample that was examined.

- 27.** The Court's observation concerning the difficulty of evaluating the impact of the various programmes on the basis of the information available is in part borne out by the various evaluations that have already been mentioned.
- 28.** The fact is that, whilst most of the evaluations conclude that the various measures do have a positive impact (see paragraph 29), they emphasise that effectiveness is in general not measured or is hard to measure and that it is, for example, difficult to establish a direct link between the programmes and any changes in sales or demand that may be observed. The difficulty of measuring the efficiency of programmes (cost-impact ratio) is also pointed out (see **Box 6**).

BOX 6

EXTRACTS FROM EVALUATION REPORTS ILLUSTRATING LIMITATIONS ON MEASURING EFFECTIVENESS

- 'Currently no conclusion is possible on cost *versus* impacts of measures or actions for the majority of programmes. [...] no causality link between I & P programmes and evolution of Community demand for F & V can be provided, and it is not easy to establish the link with demand for F & V in general, owing to the influence on demand of many external factors.'
- 'The methods used for assessing the cost-output ratio are often subjective (unreliable and probably biased) and lack rigour [...] the absence of detailed quantitative data during implementation impedes sound judgment on the efficiency of specific actions or of the cost *versus* impact relationship of the programmes [...] no in-depth evaluations providing information on the TGs reached, the results or the impact of the programmes.'
- 'There is an overall lack of measurement of the effectiveness of the measures in terms of improvement of the image of the Community products and themes and of the demand for organic products. Moreover, there is a lack of norms against which the trends in these respects could be benchmarked.'

- 29.** Nevertheless, despite these difficulties, these evaluations conclude that the various measures do have a positive impact, chiefly in terms of image or the development of professional contacts for third countries. In general, the cost-effectiveness ratio of the various measures is even favourably viewed in comparison with the standards of the sector, in particular as regards the internal market.

**THE DEGREE OF RIGOUR AND SELECTIVITY
IN THE APPROVAL OF PROPOSALS FOR PROGRAMMES
HAS BEEN IMPROVED BUT STILL NEEDS
TO BE CONSOLIDATED**

- 30.** Where there are no objectives and indicators enabling the impact of the policy to be ascertained and measured, the scheme's effectiveness depends to a large extent on relevant programmes being selected for co-financing.

**PRESELECTION BY MEMBER STATES OF PROPOSALS
FOR PROGRAMMES**

- 31.** Under the regulation, the Member States evaluate the proposals for programmes for their conformity with the rules, their suitability and their 'value for money' and forward to the Commission the proposals that they agree to co-finance.

BOX 7

**PROPORTION OF PROPOSALS VALIDATED BY THE MEMBER STATES
THAT WERE CONSIDERED INELIGIBLE BY THE COMMISSION**

Out of the sample of 30 proposals forwarded by the Member States in 2007 examined at the Commission, 10 had been rejected by the Commission on the grounds of ineligibility.

- 32.** Until recently, however, many Member States were forwarding the bulk of the proposals they had received after having carried out only limited preselection work. This lack of selectivity was reflected, for example, in very few proposals not being forwarded to the Commission, or again in the large number of proposals forwarded by the Member States that were in the end rejected by the Commission because they were ineligible (see **Box 7**). Furthermore, in making their appraisal, the Member States sometimes use the data supplied by the proposing organisations without these data having been adequately verified.
- 33.** To encourage the Member States to be more selective, the Commission has gradually been laying down criteria to be applied when evaluating proposals for programmes. These specify the level of detail expected in the proposals and the type of checks to be carried out, and indicate a number of success factors that have been culled in particular from the conclusions of the various evaluation exercises mentioned above. This process is still under way, however, and therefore only time will tell how effective it actually is.

BOX 8

APPROVED PROGRAMMES THAT COULD NOT BE IMPLEMENTED

Of the 81 programmes closed during the 2006–07 period (approved between 2003 and 2006), there were 17 for which the rate of implementation was less than 70 % of the original budget, including 11 where the rate was less than 40 %.

In Italy one programme had been discontinued after one year, with less than 20 % of the budget having been spent, because from the very outset the planned measures had come up against legal problems in the target third countries.

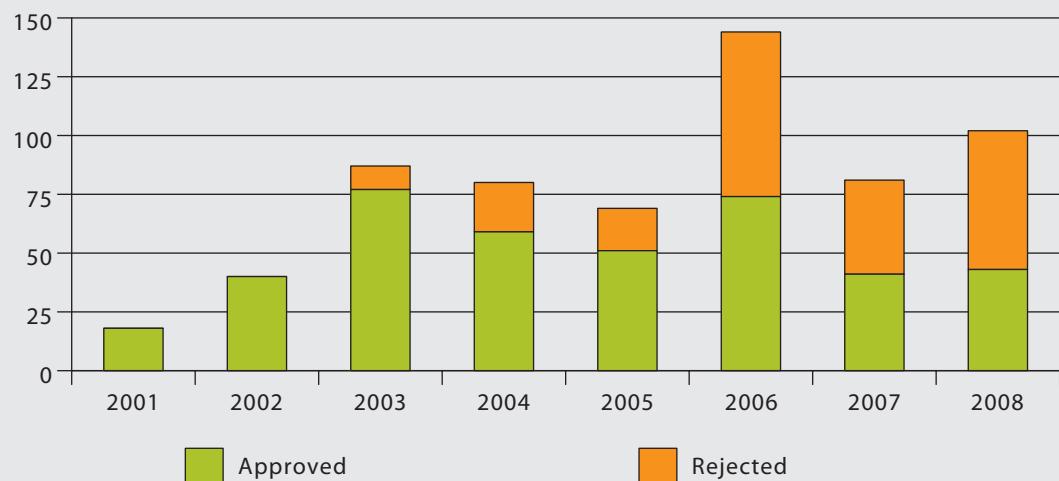
In Spain, the implementation rate for the largest programme ever approved had been only 34 % of the initial budget because the association, for lack of the necessary resources, suffered a financing problem.

INCREASED STRICTNESS ON THE PART OF THE COMMISSION

- 34.** An *ex post* review by the auditors shows that a significant number of the programmes approved by the Commission during the period 2003–05 were not carried through to the end, calling into question whether it was appropriate to have selected them. The audit in the Member States brought to light several cases where the reasons for these failures could most probably have been anticipated from the outset if the Member States or the Commission had been more thorough in their scrutiny of the proposals (see **Box 8**).
- 35.** The Court nevertheless finds that the Commission's level of selectivity in approving proposals has improved markedly since the early days of this scheme: the rate of approval has thus fallen from 100 % in 2001–02 to less than 50 % in the period 2006–08, whilst the number of proposals received has increased (see **Graph 3**).

GRAPH 3

NUMBER OF PROGRAMMES APPROVED/REJECTED BY THE COMMISSION



Source: European Commission.

- 36.** Further to this analysis, the Court's auditors selected a sample of 30 proposals approved (15) or rejected (15) over the period 2006–07 in order to review the available documentation on the choices that were made.

⁹ One or the other of these two points was thus found in three cases in the sample that was examined.

- 37.** The auditors' examination of this sample first of all showed that, since 2006, the selection process had been carried out by means of a proper, formal procedure that on the whole was well documented. Certain improvements still need to be made, however:
- (a) The procedure being used does not enable all the proposals received to be compared one with another on the basis of a uniform set of objective criteria. The Commission thus does not itself apply a principle which it requires the Member States to follow when making their preselection.
 - (b) The examination also showed that, when case files are being appraised, there is not always a sufficiently formal approach to following up the problems that are identified and any replies that are received. Some proposals may thus be rejected without a sufficiently formal record being made of the unsatisfactory nature of the replies received, and other proposals may be approved without the replies received being documented⁹, thus laying the final choice open to risk. New instructions directly addressing this point were, however, issued in the course of the audit.

BOX 9

EXTRACTS OF OBJECTIVES FROM THE PROGRAMMES EXAMINED

An 'Organic farming' programme set out the following general objectives:

'[...] to inform and interest the general public and, above all, the casual consumer. The main objectives are: to increase the level of knowledge about the specific characteristics and benefits; to help increase consumption of organic products; to make the logos better known.'

A 'Dairy products' programme set objectives such as 'to change eating habits' and 'to introduce more dairy products into young people's diets'.

In both cases, no quantitative objectives were specified nor was there any stocktaking of the situation at the outset.

- 38.** At the same time, the Commission became considerably more demanding concerning the details that had to be provided in the proposals for programmes. Nevertheless, there are still weaknesses as regards the information that is required on the expected impact of the programmes and the manner in which it will be measured. Indeed, most of the approved proposals that were examined did not lay down satisfactory objectives and/or indicators for measuring programme impact (see **Box 9**). This observation on the programmes is closely akin to the observation already made as regards policy, for which it was found (see paragraphs 16 to 18) that there were no specific objectives or suitable indicators.
- 39.** The fact is that, just as for the policy as a whole, the effectiveness of each of the programmes is difficult to measure if precise objectives and indicators have not been defined in advance in the light of a clearly established initial situation.
- 40.** Moreover, some of the evaluation reports mentioned above have already pointed out shortcomings relating to the lack of a strategy and specific, measurable objectives for the various programmes (see **Box 10**).

BOX 10

EXTRACTS FROM EVALUATION REPORTS CONCERNING SHORTCOMINGS IN PROGRAMMES IN TERMS OF DEFINING A STRATEGY AND SPECIFIC, MEASURABLE OBJECTIVES

- 'The programmes of the sample are in line with the regulations. [...] They have however some design shortcomings in the sense that objectives are rarely quantified and are not structured hierarchically; furthermore the underlying strategies are poorly described.'
- '[...] formulation of the programmes' objectives by the proposing organisation appears in many cases like a formal exercise rather than a real attempt to design an appropriate strategy.'

THE CHECKS IN PLACE CONCERNING THE IMPLEMENTATION OF THE PROGRAMMES STILL NEED IMPROVING

SELECTION OF THE IMPLEMENTING BODIES

- 41.** The implementing body plays a key role in carrying out the programme, so that any weakness in checking the way it is selected is likely to have an effect on whether the programme is regular, effective and economic. This risk is all the greater when the proposing organisations' minimum co-financing share is low and so the direct financial stakes involved for the beneficiaries who select the implementing body are limited.
- 42.** It is basically up to the Member State to check the way in which the proposing organisation selects the implementing body. The checking procedures in use in the three Member States visited, and especially in Spain and Italy, however, were not sufficiently formal and systematic to make it possible to ascertain whether the choice did indeed result from actually 'inviting competitive offers by all appropriate means'. For a fourth Member State, the Court also found a case where the information available showed that the proposing organisation had not complied with the terms of selection to which it had committed itself and raised questions as to the transparency of the final choice. Not one of these points had, however, been previously detected.

BOX 11

ILLUSTRATION OF THE CONDITIONS FOR SELECTING SOME IMPLEMENTING BODIES

In Italy, the average period of time noted by the auditors between the call for proposals being sent to possible service providers and the final selection of the implementing body was less than 10 working days.

Spanish legislation lays down a standard time limit of 15 days for the receipt of tenders from service providers as part of a public call for tenders.

For several of the programmes examined in the various Member States, the implementing body had been selected on the basis of examining one single service tender.

- 43.** As regards the procedures for selecting the service provider, very tight deadlines for invitations to tender were in some cases noted, which could hinder the presentation of tenders under proper conditions. In certain cases, the service provider may even be selected on the basis of a single tender received (see **Box 11**).

MONITORING OF EXPENDITURE STEPPED UP BY THE COMMISSION

- 44.** For the last two years the Commission has been introducing or strengthening procedures and tools for its day-to-day monitoring of Member States' programmes and payment claims. This has enabled it to detect and start rectifying a number of administrative anomalies that previously existed: more systematic acquisition of the case documents required by the regulations, administrative closure of programmes completed several years ago, detection of errors that have led some Member States to charge to certain programmes payment claims higher than the amounts approved.
- 45.** Despite the progress that has been made, the tools in place are still undergoing improvement, which is why some residual problems of the type described in the previous paragraph were still being uncovered during the audit. Furthermore, the principle of approving annual budgets on the basis of the anniversary date specific to each programme¹⁰ hampers effective (budgetary) year-by-year checks on the booked expenditure.

BOX 12

EXAMPLES OF SUBJECTIVE ELEMENTS TO BE TAKEN INTO ACCOUNT IN THE NATURE OF THE MESSAGES

One 'Poultry' programme used promotion material that provided the information stipulated by the regulations, but most of the expenditure incurred had been devoted to radio or television advertising spots which bore no relation to 'the intrinsic qualities of the product concerned or its characteristics' or to the objectives and main messages of the 'poultrymeat' guidelines.

Two successive 'Wine' programmes presented slogans and visual advertisements which had highly commercial connotations and had nothing to do with 'the intrinsic qualities of the product concerned or its characteristics'.

¹⁰ For example, a two-year programme starting on 17 April of year N will have its expenditure approved for the two periods running from 17 April N to 16 April $N + 1$ (Year 1) and from 17 April $N + 1$ to 16 April $N + 2$ (Year 2); these are periods which coincide neither with the EAGF financial years nor with those of the other programmes.

- 46.** As regards the actual content of the programmes, the eligibility conditions specified in the regulations are sometimes subject to interpretation. In particular, the regulations¹¹ stipulate that 'all information and/or promotion messages [...] shall be based on the intrinsic qualities of the product concerned or its characteristics' and this criterion leaves great scope for interpretation. It is therefore sometimes difficult to strike an acceptable balance between messages that directly satisfy the criteria of the regulation and more commercial promotion techniques (see **Box 12**).

¹¹ Article 4 of Regulations (EC) No 1071/2005 and (EC) No 1346/2005.

PERSISTENT WEAKNESSES IN THE CHECKS BY SOME MEMBER STATES

- 47.** The audits performed in Spain and Italy enabled the Court to follow up the management and control problems which had been identified by the Commission for several years and had already led to financial corrections being made as a result of procedures initiated in 2005. In both Member States it was apparent that the administrative practices still did not suffice to ensure that the management and control of the programmes met the regulatory requirements. Shortcomings of the same kind as those identified by the Commission in 2005 (significant weaknesses in checks, failure to abide by the time limits stipulated in the regulations, cases of the maximum Community contribution of 50 % being exceeded) were found in particular.
- 48.** In Spain, the administrative verification tasks were not carried out in a sufficiently well-documented manner to be recognised and the deadlines were often exceeded. The Spanish authorities themselves had found on several occasions that the system of checks in place to date was not able to guarantee that the expenditure complied with the regulations.
- 49.** In Italy, the checks required by the Community regulations were often not carried out by the authorities and the administrative practices did not ensure that payments were made within acceptable periods of time. Internal control weaknesses were found at the proposing organisations and at the implementing bodies as regards their ability to ensure the traceability of expenditure and a satisfactory level of information provision.

- 50.** In both these countries it was also found that the effectiveness of the checks could be further curtailed in cases where considerable use was made of subcontractors or intermediaries. In some of these cases, the Court's auditors were not given access to all the supporting documents they asked for.
- 51.** In both Spain and Italy, action had just been taken, however, to address the problems that had been found for more than four years. Nevertheless, at the time of the audit it was still too early to verify whether these changes had been effective and so this will therefore have to be ascertained in the future.
- 52.** The audit conducted in France found practices which, whilst still requiring improvement or systematic application in some respects, were much more in keeping with expected practice.



Source: Centre d'Information des Viandes (CIV).

CONCLUSIONS AND RECOMMENDATIONS

- 53.** The Commission has for some years been improving the management and control arrangements for expenditure connected with information provision and promotion measures for agricultural products. Through this process, positive results have already been obtained in some areas but it still needs to be further consolidated and expanded, in particular with the prospect of the budget devoted to these arrangements being increased.
- 54.** The Court has found that the system in place does not make it possible to gauge the effectiveness of the measure. The impact of the policy, although it is probably positive, is currently difficult to measure, one of the contributory factors being that there are no specific objectives based on an explicit strategy which can serve as a yardstick for evaluating the effectiveness of the policy and monitoring the appropriate indicators (see paragraphs 16 to 18). The impact to be expected from the promotion scheme is nevertheless circumscribed by a budget that is relatively modest in relation to the large number of products and geographical areas to be covered and the lack of an adequate procedure for ensuring complementarity with the various national or private promotion measures (see paragraphs 19 to 23). The Court therefore expresses the following **recommendations** regarding these points:
- (a) The policy objectives need to be specified whilst at the same time ensuring that the stated ambitions are commensurate with the budgets that have been committed.
 - (b) These objectives should be expressed as 'SMART' objectives so that suitable performance indicators can be defined and monitored.
 - (c) A formal procedure for consulting all the stakeholders should be introduced so as to ensure that, during the whole process, from defining the strategy through to implementing the procedures, there is complementarity with the various promotion measures that already exist. With this in mind, the Commission should in particular encourage the Member States to systematically notify it of the various promotion aids and measures in use nationally.
- 55.** As regards selecting the programmes to be co-financed, the Commission's selectivity has considerably increased in recent years (see paragraphs 34 to 38). This progress nevertheless needs to be continued both at the Commission (see paragraphs 37 to 40) and in the Member States (see paragraphs 31 to 33). The Court thus has the following **recommendations**:

- (a) The improvements currently being made to the Commission's selection procedure should be continued, especially as regards the requirement for information on the expected impact of the programme and the manner in which it will be measured.
- (b) The Member States should continue to increase their selectivity, amongst other things by verifying information as to the relevance of the proposals.

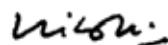
56. As regards the implementation of the programmes and the legality/regularity of the expenditure, the checks made on the selection of the implementing bodies, which have a key role to play, are still too limited (see paragraphs 41 to 43). The Commission's subsequent monitoring of expenditure has indeed been stepped up (see paragraphs 44 to 46), but significant control weaknesses persist in certain Member States (see paragraphs 47 to 52). The Court therefore makes the following **recommendations**:

- (a) Checks on the selection of implementing bodies should be stepped up.
- (b) Control weaknesses identified in one Member State should be followed up so as to ensure speedy improvement in these shortcomings.

57. When considering the impact to be expected from implementing the Court's recommendations, the size of the budget devoted to the promotion arrangements needs to be borne in mind. The Commission is currently making a thorough review of this scheme. This could in particular lead to a proposal to significantly increase the information and promotion budget. For that reason, the Court recommends that these improvements be made as soon as possible.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 11 June 2009.

For the Court of Auditors



Vítor Manuel da Silva Caldeira
President

ANNEX I

SUMMARY OF THE REGULATIONS IN FORCE DURING THE PERIOD AUDITED

	Type of measure	Council	Commission
2008	Internal market	Council Regulation (EC) No 3/2008 of 17 December 2007 on information provision and promotion measures for agricultural products on the internal market and in third countries (OJ L 3, 5.1.2008, p. 1)	Commission Regulation (EC) No 501/2008 of 5 June 2008 laying down detailed rules for the application of Council Regulation (EC) No 3/2008 on information provision and promotion measures for agricultural products on the internal market and in third countries (OJ L 147, 6.6.2008, p. 3)
	Third countries	NB: amalgamation of the two previous regulations without any change in the content.	
Before 2008	Internal market	Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market (OJ L 328, 23.12.2000, p. 2) (Amended by Council Regulation (EC) No 2060/2004 (OJ L 357, 2.12.2004, p. 3) and by Council Regulation (EC) No 1182/2007 (OJ L 273, 17.10.2007, p. 1))	Commission Regulation (EC) No 1071/2005 of 1 July 2005 laying down detailed rules for applying Council Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market (OJ L 179, 11.7.2005, p. 1)
			Commission Regulation (EC) No 94/2002 of 18 January 2002 laying down detailed rules for applying Council Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market (OJ L 17, 19.1.2002, p. 20)
	Third countries	Council Regulation (EC) No 2702/1999 of 14 December 1999 on measures to provide information on, and to promote, agricultural products in third countries (OJ L 327, 21.12.1999, p. 7) (Amended by Council Regulation (EC) No 2060/2004)	Commission Regulation (EC) No 1346/2005 of 16 August 2005 laying down detailed rules for the application of Council Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries (OJ L 212, 17.8.2005, p. 16)
			Commission Regulation (EC) No 2879/2000 of 28 December 2000 laying down detailed rules for applying Council Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries (OJ L 333, 29.12.2000, p. 63)

ANNEX II

LIST OF THE THEMES, PRODUCTS AND COUNTRIES THAT MAY BE COVERED BY THE ELIGIBLE MEASURES

LIST OF THE THEMES AND PRODUCTS CONCERNED ON THE INTERNAL MARKET

(Source: Annex I to Regulation (EC) No 1071/2005)

- Fresh fruit and vegetables
- Processed fruit and vegetables
- Fibre flax
- Live plants and products of ornamental horticulture
- Olive oil and table olives
- Seed oils
- Milk and milk products
- Fresh, chilled or frozen meat, produced in accordance with a Community or national quality scheme
- Marking of eggs for human consumption
- Honey and beekeeping products
- Quality wines psr, table wines with a geographical indication
- Graphic symbol for the most remote regions as laid down in agricultural legislation
- Protected designation(s) of origin (PDO), protected geographical indication(s) (PGI) and traditional speciality(ies) guaranteed (TSG)
- Organic farming
- Poultrymeat

LIST OF THIRD-COUNTRY MARKETS IN WHICH PROMOTIONAL MEASURES MAY BE CARRIED OUT

(Source: Annex to Regulation (EC) No 1346/2005)

A. COUNTRIES

- Australia
- Bosnia and Herzegovina
- Bulgaria
- China
- Croatia
- Former Yugoslav Republic of Macedonia
- India
- Japan
- New Zealand
- Norway
- Romania
- Russia
- Serbia and Montenegro, including Kosovo
- South Africa
- South Korea
- Switzerland
- Turkey
- Ukraine

ANNEX II

B. GEOGRAPHICAL AREAS

- North Africa
- North America
- Latin America
- South-East Asia
- Middle East

LIST OF PRODUCTS WHICH MAY BE COVERED BY PROMOTIONAL MEASURES IN THIRD COUNTRIES

(Source: Annex to Regulation (EC) No 1346/2005)

- Fresh, chilled and frozen beef, veal and pigmeat; food preparations based on these products
- Quality poultrymeat
- Milk products
- Olive oil and table olives
- Table wines with a geographical indication. Quality wines psr
- Spirit drinks with a geographical indication or a reserved traditional description
- Fresh and processed fruit and vegetables
- Products processed from cereals and rice
- Fibre flax
- Live plants and products of ornamental horticulture
- Products benefiting from a protected designation of origin (PDO), a protected geographical indication (PGI) or a traditional speciality guaranteed (TSG)
- Organic farming products

REPLY OF THE COMMISSION

SUMMARY

I.

Since 1999, the European Union has pursued an overall and coherent information and promotion policy for agricultural products and production methods and agricultural-based food products. The information and promotion campaigns which it co-finances may take place either inside or outside the EU.

V.

With a view to sound management and in an attempt to improve implementation of this policy, the Commission requested a total of eight external evaluation studies between 2006 and 2008 and drew a number of conclusions and operational recommendations.

These eight studies to evaluate promotion programmes in both the internal market and non-member countries and the two accompanying summaries highlighted the positive impact of these programmes in relation to the objectives set out below (see point 28) and the importance of the policy.

Council Regulation (EC) No 3/2008 lays down the objective of developing an overall, coherent information and promotion policy. The regulation sets four clear objectives in the fourth recital:

- to usefully supplement and reinforce the schemes run by Member States;
- to boost product image in the eyes of consumers in the Community and in non-member countries, in particular as regards the quality, nutritional value and safety of foodstuffs and the methods of production;

REPLY OF THE COMMISSION

- to help to open up new markets in non-member countries;
- to have a multiplier effect on national and private initiatives.

Similarly, Annex I to Commission Regulation (EC) No 501/2008 also sets appropriate specific objectives for each of the various products concerned.

As regards the modest budget, it should be remembered that it is intended only to supplement and reinforce schemes run by Member States, in line with the principle of subsidiarity.

VI.

The four objectives set out in Council Regulation (EC) No 3/2008 and those set out in Commission Regulation (EC) No 501/2008 are considered by the Commission as 'SMART' objectives which should be pursued in all the programmes.

The Commission also bases its approach on the eight external evaluations on promotion policy which are under way. Document AGRI/63454/2007 was adopted and distributed on 2 October 2007 to the Member States to evaluate the results which all future programmes should achieve.

The Commission is already in regular contact with all the stakeholders involved in promotion policy through the 'Promotion of agricultural products' advisory group. It responds to requests from working groups, conferences and seminars organised by the main stakeholders. It also plays an active part in the work of the various monitoring groups.¹ The current discussion within the Commission on the promotion of agricultural products will doubtlessly provide a further contribution.

¹ These groups are provided for by Article 12(1) of Regulation (EC) No 3/2008.

VII.

The promotion programmes have had and continue to have a tangible impact on the promotion of European agricultural products, as shown by the eight evaluation studies requested by the Commission.

A lack of selectivity and control by the Member States at the preselection stage results in ineffective programmes being presented to the Commission. However, the Commission departments' rigorous approach in applying the regulation² makes it very unlikely that this type of programme would be selected.

The Commission would ask the Member States to increase the standards of evaluation and selection for programme proposals.

VIII.

To ensure that improvements continue, particularly as regards requirements concerning information on the expected impact of the programme and the way in which it will be measured, the Commission has produced the following three documents:

- guidelines to be considered when assessing and managing part-financing programmes for promoting Community agricultural products (AGRI/60787/2007);
- the document on evaluation matters (AGRI/63454/2007);
- a standard evaluation grid, allowing the Commission to objectively assess and quantify the evaluation of the programmes (AGRI/64046/2008).

² Article 11(2) of Regulation (EC) No 501/2008.

REPLY OF THE COMMISSION

OBSERVATIONS

IX.

With regard to the recurring weaknesses in Spain and Italy, following the investigations by the Commission in 2004 and 2005 which led to substantial financial corrections, the Commission launched follow-up investigations in 2007 and 2008. A third on-the-spot investigation is planned in Italy in 2009.

The Commission has carried out audits in Spain and Italy for all in respect of the financial years covered by the measure since 2003 and in respect of these countries' decentralised management up to now. The corrective measures adopted by these Member States have also been examined in the framework of clearance of accounts investigations.

The Court's observations will also be taken into account during the clearance of accounts.

X.

Checks on the selection of implementing bodies have been particularly stepped up for those selected after adoption of the Commission's decision on the programmes accepted.

The manual of procedures for monitoring programmes now provides for tighter checks on the documentation submitted by Member States concerning national selection procedures (points 1.4 and 2).

XI.

Once the internal discussion on the strategy for the EU co-financed promotion policy has been completed, the Commission will apply the operational guidelines based on its conclusions.

16.

Council Regulation (EC) No 3/2008 lays down the objective of developing an overall, coherent information and promotion policy. The regulation sets four clear objectives in the fourth recital which the Commission considers to be 'SMART':

- to usefully supplement and reinforce the schemes run by Member States;
- to boost product image in the eyes of consumers in the Community and in non-member countries, in particular as regards the quality, nutritional value and safety of foodstuffs and the methods of production;
- to help to open up new markets in non-member countries;
- to have a multiplier effect on national and private initiatives.

Similarly, Annex I to Commission Regulation (EC) No 501/2008 also lays down appropriate specific objectives for the internal market for each of the various products concerned.

17.

The Commission also bases its approach on the eight external evaluations on promotion policy which are under way. Document AGRI/63454/2007 was adopted and distributed on 2 October 2007 to the Member States to evaluate the results which all future programmes should achieve.

REPLY OF THE COMMISSION

18.

Document AGRI/63454/2007, drawn up by the Commission on the basis of external evaluation studies, covers five main topics.³ The systematic application of indicators to all programmes approved by the Commission will help to better harmonise the whole of the promotion policy and to increase the measurability of the objectives pursued.

19.

The fact that the Community budget for promotion and information measures is relatively modest is justified in part by the fact that its purpose is only to usefully supplement and reinforce the schemes run by Member States.

The promotion and information programmes are co-financed by the proposing organisations, the Member States and the EU. This system of co-financing is an effective method of making the stakeholders accountable and of beneficially applying the principle of subsidiarity to this policy.

General reply to Box 2

The proposed comparison should take account of the fact that the objectives and mechanisms of the above promotion programmes are not comparable to those of Community promotion policy.

³ Coherence between the implemented measures and the objectives of the regulation; actions and information channels used and their cost-effectiveness; coverage and content of the programmes; impact and effectiveness of the measures; and complementarities between programmes submitted by the Member States and programmes submitted by the professional organisations.

20.

Since the beginning of this promotion and information policy (1999), several professional organisations representing products and sectors have noted a definite impact of their action on achieving objectives. This can be verified in the eight evaluation studies requested by the Commission.

22.-23.

The Commission is aware of the deficiencies pointed out by the Court and mentioned in the evaluation studies. Discussions are ongoing within the Commission to improve the definition and implementation of the programmes with regard to the synergy and complementarity of promotion campaigns and to address other problems raised by the external evaluators.

The promotion and information programmes are co-financed by the proposing organisations, the Member States and the European Union. Under Article 9 of Regulation (EC) No 501/2008, it is the responsibility of Member States to ensure consistency with other programmes and initiatives as part of their duty to see that the selected programmes are satisfactorily implemented.

Reply to Box 4

First and second indents

Article 8 of Council Regulation (EC) No 3/2008 provides that the Commission must give priority to programmes proposed by several Member States and that the Commission will continue to encourage representative professional organisations to submit 'multi-country' programmes and synergy generators.

REPLY OF THE COMMISSION

Third indent

A working party was specifically set up at the meeting of the advisory group on promotion on 12 January 2009 to achieve more synergy between programmes. This working party could consist of representative professional organisations at European level and of representatives of the Member States.

25.

The vast majority of the programmes taken as examples by the Court of Auditors are programmes selected by Member States before 2005. These programmes have not therefore been subject to the various improvements made to the current rules.⁴ Even before the Court of Auditors' audit was announced, the Commission had drawn the attention of the Member States to all the documents, including reports, which had to be examined.

After internal scrutiny by the Commission, the manual of procedures for the administrators examining the programmes was tightened up even more rigorously than the Court had recommended.

The new provisions set out in this manual pay particular attention to analysing the responses received from Member States concerning promotion material for products, quarterly and annual reports, annual and final evaluations, contracts, 'template actions', intermediate and final payments and webpages.

26.

These problems were detected after analysis of the first external evaluations studies requested by the Commission.

To resolve them, the Commission issued all the Member States with a series of indicators on 2 October 2007 to assess all future promotion programmes⁵.

(a)

The impact of the action taken can be gauged from the programmes approved from December 2008.

Most of the programmes taken as examples by the Court of Auditors are programmes selected before 2005. These programmes have not therefore been subject to the various improvements which were made to the current rules.⁶

(b)

See reply to point 26.

(c)

The comments made by the Court of Auditors were already taken into account by the Commission on 2 October 2007. The new provisions in the manual of procedures cover this aspect and greater attention will be paid from now on to the analysis of information received from the Member States.

⁵ Document No AGRI/63454/2007.

⁴ After documents AGRI/60787/2007 and AGRI/63454/2007 were drawn up.

⁶ Documents AGRI/60787/2007 and AGRI/63454/2007.

REPLY OF THE COMMISSION

General reply to Box 5

Most of the programmes taken as examples by the Court of Auditors are programmes selected before 2005. These programmes have not therefore been subject to the various improvements which were made to the current rules.⁷

The Commission detected these problems following analysis of the reports submitted by the Member States and acted immediately to resolve them, while at the same time respecting the principle of subsidiarity applicable to this policy.⁸

Moreover, the new provisions in the manual of procedures stipulate that greater attention must be paid from now on to the analysis of information received from the Member States.

Example of an indicator not directly corresponding to the aims set by the programme

The new provisions in the Commission's manual of procedures stipulate that greater attention must be paid from now on to the analysis of information received from the Member States.

Example of indicators announced by the programmes but not followed up

The new provisions in the manual of procedures stipulate that greater attention must be paid from now on to the analysis of information received from the Member States.

⁷ Documents AGRI/60787/2007 and AGRI/63454/2007.

⁸ This is why, when the Promotion of Agricultural Products Committee met on 2 October 2007, document AGRI/63454/2007 was distributed to all the Member States to help them to select programmes more efficiently and evaluate the effectiveness of the programmes they manage, check and co-finance. In this regard, please see also point 17 above.

28.–29.

The importance and the positive impact of this policy can be easily illustrated using passages from the above evaluations, for example:

'EU co-funding enables proposing organisations to conduct ambitious, large-scale programmes addressing a wide audience with expected high impact [...]. Without EU co-funding, some campaigns would not have been implemented', and 'EU co-funding produces multiplier effects, mainly by facilitating implementation of other campaigns and [...] by promoting cooperation between Member States at EU level'.⁹

Another passage states that: 'As a consequence of these campaigns, the image (of the promoted products) has improved among opinion leaders and the general public has been made familiar with a wider range of products than before' and 'EU co-financing has been a clear incentive for professionals to join forces and for improving sector integration [...]. In particular, small producers felt encouraged to organise their own promotion campaigns outside their region of production'.¹⁰

Moreover, '[...] They also state that, without co-financing, the programmes either would not have taken place or would have been much smaller'.¹¹

⁹ Fruit and vegetables sector, November 2007.

¹⁰ Wine sector, April 2007.

¹¹ Organic products sector, November 2006.

REPLY OF THE COMMISSION

Moreover, even before the start of the Court of Auditors' audit (on 4 April 2008) and before the end of the cycle of the external evaluation studies requested by the Commission (in December 2008), the Commission had already drawn up document AGRI/63454/2007 on matters relating to evaluation on the basis of the conclusions and recommendations contained in the evaluation studies available.

Reply to Box 6

- With regard to fruit and vegetables, the detailed guidelines in Regulation (EC) No 501/2008¹² show that the aims of the Community information and promotion policy are much broader and more complex, and certainly go beyond simply quantifying consumption.

The 'Food Dudes' programme, which was awarded the World Health Organisation prize in 2006 for its efforts to combat child obesity, should be mentioned as an obvious example of the multiple, complex dimension of the co-financed programmes.

¹² The guidelines in Regulation (EC) No 501/2008 state that the main aims of the information programmes co-financed in the fruit and vegetable sector are 'to improve the image of the products as being "fresh" and "natural", encourage their regular consumption and bring down the average age of consumers. The latter may be attained by encouraging young people, and in particular children and adolescents in educational establishments, to consume the products concerned'.

As for processed fruit and vegetables, the guidelines in Regulation (EC) No 501/2008 state that the main objectives of the co-financed information programmes are to modernise 'the image of the product' and make it more youthful, 'giving the information needed to encourage consumption'.

- The Commission proposed remedies to the criticism issued by the external evaluation firms as and when it received their reports.

The Commission focused in particular on the methods used to evaluate the cost-impact ratio based on the evaluation of the internal market programmes¹³.

The monitoring system has been considerably improved and when it receives the annual reports for each programme, the Commission pays special attention to the Member States' evaluation of the measures introduced.

- The Commission proposed remedies to the criticism issued by the external evaluation firms as and when it received their reports.

30.

It will be possible to gauge the impact of the measures on the programmes approved as of December 2008.

See reply to point 26(a).

32.

Because of the Member States' lack of selectivity and control during the preselection process, a number of ineffective programmes are presented to the Commission. Nevertheless, the Commission's rigorous application of the regulation¹⁴ considerably limits the risk of this type of programme being selected by the Commission.

¹³ Dated 15 February 2009.

¹⁴ Article 11(2) of Regulation (EC) No 501/2008.

REPLY OF THE COMMISSION

The Commission is making an effort to get Member States to raise their standards in terms of evaluation and selection of programme proposals.

33.

The Court refers to document AGRI/63454/2007 of 2 October 2007. Since then, programmes have been evaluated on the basis of the criteria set out in this document, among other things.

As already stated in point 18, document AGRI/63454/2007, drawn up by the Commission on the basis of the findings in the external evaluation reports, covers coherence between the implemented measures and the objectives of the regulation, actions and information channels used and their cost-effectiveness, coverage and content of the programmes, impact and effectiveness of the measures, and complementarities between programmes submitted by the Member States and programmes submitted by professional organisations.

This process entered into force in 2009 when the Commission selected the internal market programmes; the programmes preselected by Member States were sent to the Commission on 15 February 2009.

34.

On 5 September 2006 the Commission carried out a thorough check of all the programmes running at that date. It noticed at that time that a significant number of programmes had not been carried through to the end. It took immediate action with respect to the Member States and introduced the corrective measures required.

Reply to Box 8 as a whole

Some of the programmes not carried through to the end complied perfectly with the selection criteria defined by the various Member States when they communicated the programmes to the Commission. Based on the documents sent by the Member States — in particular the identification sheet — the Commission did not find sufficient reasons for rejecting these programmes, bearing in mind the rules applicable.

Some of the problems raised by the Court concern unforeseen problems which could not have been anticipated when the Member States selected the programmes or when the Commission approved them.

However, it must be stressed that most of the Court's comments refer to programmes that have already ended. The current average rate of completion of programmes since the start of the measure is 85 %.

This increase in the rate of implementation is due mainly to the new provisions and tools introduced by the Commission to monitor programmes from June 2006 on, in particular the IT monitoring programme MPP (management promotion programme) and the standard forms given to Member States to ensure regular communication of the measures to be implemented and the related payments.

37.

(a)

Since 7 November 2008, the Commission has developed a uniform evaluation grid¹⁵, forming part of the manual of procedures. Using this grid, the Commission is able to evaluate all the programmes objectively.

¹⁵ Document AGRI/64046/2008.

REPLY OF THE COMMISSION

(b)

As acknowledged by the Court, new instructions concerning the follow-up to problems identified and any replies received by the Member States became the formal procedure following the audit of 2 October 2008.

38.

There is still some room for improvement as regards defining and implementing the promotion programmes¹⁶.

See reply to point 17.

39.

The effectiveness of the information and promotion programmes has been evaluated on the basis of the new evaluation grid since 15 February 2009.

40.

The Commission is aware of the shortcomings mentioned in the evaluation reports. Internal discussions are under way to improve the implementation of programmes in terms of the synergies and complementarity of promotion measures, and also in relation to other problems raised by the external auditors.

41.

Member States are responsible for approving and monitoring the selection of the implementing body¹⁷.

The Commission considers that its rigorous selection procedures for the programmes limit the risk that a weakness in checking the selection of implementing bodies is likely to have an effect on whether the co-financed programme is regular, effective and economic.

42.

In the specific case of implementing bodies chosen after the adoption of the Commission's decision, points 1.4 and 2 of the manual of procedures now applicable have reinforced the monitoring of the implementing body selection procedure since Member States must forward to the Commission all documents concerning this procedure.

43.-44.

When the Commission is selecting the programmes, it checks that the implementing bodies were subjected to competitive tendering procedures. This is one of the points on the checklist for officials entrusted with checking the eligibility of proposals.

During its investigations, the Commission uncovered irregularities in the tendering procedures for implementing bodies. In accordance with the principle of subsidiarity, Member States must ensure compliance with the requirements in the regulation concerning a competitive procedure. The Commission has imposed a financial correction on Member States which have been found not to comply with these provisions.

¹⁶ Document AGRI/63454/2007 has come into force.

¹⁷ Recital 8 and Article 12 of Regulation (EC) No 501/2008.

REPLY OF THE COMMISSION

45.

Internal Commission discussions are in progress to find an appropriate solution to ensure that each phase of a programme corresponds to an EAGF budget year without making the system too rigid or excessively limiting the possibilities for implementing the programmes.

46. and boxes

Without prejudice to the correct application of the principle of subsidiarity, the Commission attaches particular attention to the messages used in order to strike a fair balance between the information and commercial aspects of the promotion campaigns.

The selection procedure applied¹⁸ by the Commission ensures uniform, impartial treatment of all the programmes.

During its investigations, the Commission identified failures to comply with the provisions on product promotion and information in relation to the intrinsic quality of the products concerned or their characteristics. In accordance with the principle of subsidiarity, Member States must ensure that the criteria approved by the Commission regarding promotional messages are satisfied. The Commission has imposed a financial correction on Member States which have been found not to comply with these provisions.

¹⁸ Appointment of a first and second reader for each programme, examination of all programmes by an evaluation committee and participation of external experts in the selection process.

47.-52.

The Commission initiated investigations in 2007 and 2008 following the significant corrections imposed on Spain and Italy after the 2005 investigations. Italy has again been subjected to a risk analysis by the Commission, and a third investigation (on-the-spot inspection) is scheduled for 2009¹⁹ to cover expenditure in 2008 and 2009, and subsequent years if necessary.

For these two Member States, all the financial years covered by the measure since 2003 and their decentralised management to date are audited by the Commission.

During these ongoing audits for Italy²⁰ and Spain²¹, the Commission asked these Member States to communicate the corrective measures adopted, the inspection structures and the instructions given to the relevant inspection bodies.

The existence and impact of the changes announced by these Member States are currently being analysed as part of the current investigations for the clearance of accounts.

In addition to the corrections, the Commission has made recommendations to these Member States to step up their key inspections and to remedy weaknesses in subcontracting.

Even though the Commission agrees with the Court that France's practices were much more in keeping with expected practice, it nevertheless points out that it sent a series of recommendations to France to have them improved.

The Court's comments will also be taken into account for the clearance of accounts.

¹⁹ LA/2009/006/IT.

²⁰ LA/2007/020/IT.

²¹ LA/2008/007/ES.

REPLY OF THE COMMISSION

CONCLUSIONS AND RECOMMENDATIONS

54.

Since 1999, the European Union has pursued an overall and coherent information and promotion policy for agricultural products and production methods and agricultural-based food products. The information and promotion campaigns which it co-finances may take place either in the EU internal market or in non-EU countries.

With a view to sound management and in an attempt to improve implementation of this policy, the Commission requested eight external evaluation reports between 2006 and 2008 which demonstrated the importance of the mechanism and its positive impact (see point 28). Conclusions and operational recommendations have already been identified.

The eight studies to evaluate the information and promotion programmes and the two accompanying summaries requested by the Commission highlighted the positive impact of the promotion programmes for the four specific strategy objectives set out in the regulations. As regards the modest budget, it should be remembered that it is intended only to supplement and reinforce schemes run by the Member States.

(a)

The four objectives of the promotion policy set out in point V are clear.

Moreover, Annex I to the Commission Regulation²² sets specific objectives for each of the various products concerned. These goals are accompanied by an overview of the situation which led to the organisation of promotion and information measures for the product in question, the target groups, the main messages, the main channels and the duration and scope of the programmes. The discussions which are now taking place at the Commission will enable further improvements to be made in this respect.

(b)

The four objectives set out in Council Regulation (EC) No 3/2008 and those set out in Commission Regulation (EC) No 501/2008 are considered by the Commission as 'SMART' objectives which should be pursued in all of the programmes.

Document AGRI/63454/2007, drawn up by the Commission on the basis of the findings in the external evaluation reports, covers five main themes. Systematic application of indicators in all the programmes approved by the Commission would make it possible to harmonise further the entire promotion policy and enhance the measurability of the objectives pursued.

²² Commission Regulation (EC) No 501/2008 laying down detailed rules for the application of Council Regulation (EC) No 3/2008.

REPLY OF THE COMMISSION

(c)

The Commission is already in regular contact with all the stakeholders involved in promotion policy through the Advisory Group on Promotion of Agricultural Products. It responds to requests from working groups and takes part in conferences and seminars organised by the main stakeholders. It also plays an active part in the work of the various monitoring groups²³.

The discussions which are now taking place at the Commission will enable further improvements to be made in this respect.

55.

(a)

The Commission will continue to improve the selection procedure by putting the emphasis on good evaluation methodology in each programme, based closely on document AGRI/63454/2007.

(b)

The Commission agrees with these recommendations.

56.

The Commission considers it very important for the implementing bodies to comply with the selection procedures, ensuring that Article 11 of Council Regulation (EC) No 3/2008 on tendering procedures is properly applied.

The Commission considers that its rigorous selection procedures for the programmes limit the risk that a weakness in checking the selection of implementing bodies is likely to have an effect on whether the co-financed programme is regular, effective and economic.

Checks are carried out when selecting programmes and once the implementing body has been chosen. Similar checks will be carried out in the subsequent phase of selection of the implementing body and in the monitoring groups.

(a)

In the case of implementing bodies chosen after the adoption of the Commission's decision, points 1.4 and 2 of the manual of procedures now applicable have reinforced the monitoring of the implementing body selection procedure since Member States must forward to the Commission all documents concerning this procedure.

(b)

The clearance of accounts department carries out permanent monitoring in those Member States whose inspections were found to have shortcomings leading to major financial corrections by the Commission.

57.

Once the internal discussions on the strategy for the EU co-financed promotion policy have been completed, the Commission will apply the operational guidelines which emerge.

²³ The establishment of these groups is provided for in Article 12(1) of Regulation (EC) No 3/2008.

European Court of Auditors

Special Report No 10/2009
Information provision and promotion measures for agricultural products

Luxembourg: Publications Office of the European Union

2009 — 44 pp. — 21 × 29.7 cm

ISBN 978-92-9207-362-6

doi:10.2865/50551

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IN THIS REPORT, THE COURT ANALYSES THE MANAGEMENT OF THE INFORMATION PROVISION AND PROMOTION MEASURES FOR AGRICULTURAL PRODUCTS IN ORDER TO ASCERTAIN WHETHER THIS POLICY IS EFFECTIVE AND WHETHER THE EXPENDITURE INVOLVED IS REGULAR.

THE REPORT FINDS THAT PROGRESS IS BEING MADE IN THE WAY THE SCHEME IS MANAGED, BUT HIGHLIGHTS OTHER ASPECTS STILL NEEDING IMPROVEMENT. THESE OBSERVATIONS FOCUS IN PARTICULAR ON THE DIFFICULTY OF MEASURING THE SCHEME'S IMPACT AND ON THE CONTROL WEAKNESSES IDENTIFIED IN SOME MEMBER STATES. THE REPORT ACCORDINGLY MAKES A NUMBER OF RECOMMENDATIONS WHOSE IMPACT COULD BE ALL THE MORE SIGNIFICANT INsofar AS THE BUDGET DEVOTED TO THE INFORMATION PROVISION AND PROMOTION MEASURES FOR AGRICULTURAL PRODUCTS IS LIKELY TO INCREASE IF THE REVIEW CURRENTLY BEING MADE BY THE COMMISSION RESULTS IN THE LATTER MAKING A PROPOSAL ALONG THESE LINES.



EUROPEAN COURT OF AUDITORS



Publications Office

ISBN 978-92-9207-362-6



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