

**OPENING SPEECH BY COMMISSIONER DANUTA HÜBNER**  
**EUROPEAN PARLIAMENT REGI COMMITTEE**  
**DISCHARGE HEARING**  
**BRUSSELS, 20 JANUARY 2009**

*Mr Chairman, Mr President of the Council, Honourable members of the Parliament and the Court of Auditors, ladies and gentlemen,*

*I would like to thank Mrs Kaljulaid for her fair and balanced presentation of the cohesion policy chapter of the Court's Annual Report.*

*The Court has recognised the progress made and improvements achieved, whilst making it clear that this is not yet reflected in a meaningful decrease in the error rate.*

*This Commission has given proof that it takes its responsibilities in managing the budget very seriously.*

*In February last year it adopted the Action Plan to strengthen its supervision of structural actions. We made this political commitment because of the very clear messages we received from your committee in the 2006 discharge that you wanted tougher action to deliver a lower error rate in this policy area. I want therefore to tell you that we have lived up to our commitment.*

*The Commission will adopt the final report on the Action Plan on 3 February.*

*Most of the 37 actions have been completed and the Commission has been rigorous in its management of cohesion policy. Let me give you three examples. (SLIDE 1)*

*In 2008 the Commission adopted 10 decisions for formal suspension of payments because Member States failed to take action on weaknesses in their control systems. In 2007 there was only one suspension decision.*

*For financial corrections, the Commission adopted in 2008 26 decisions, compared with 16 in 2007. Corrections in 2008 for ERDF, ESF and Cohesion Fund amount to € 1.1 billion for the 2000-06 period. The total comes to €1.5 billion when corrections from the 1994-1999 period are included. This is a fivefold increase compared to 2007.*

*Let me also give the figure for what is in the "pipeline". The current estimate of potential corrections from all the procedures underway is €2.8 billion.*

*We are following up systematically on all errors identified in the Court's findings or detected by OLAF. But the starting point of over 80% of corrections underway is the control work of the Commission.*

*I fully appreciate that today we are mainly concerned with 2007.*

*The Court's report gives some positive news.*

*(SLIDE 2)*

*There is a better overall assessment of the functioning of the supervisory and control systems than ever before. Both the Commission and Member States' systems are for the first time rated as "yellow" meaning "partially effective" rather than "red".*

*There is also a significant improvement in the Court's assessment of the management and control systems of the programmes it audited in Member States. Out of the 16 programmes audited by the Court, only for 3 was the system rated ineffective; 11 were rated partially effective and 2 effective. This compares with 2006 when 13 out of 19 systems were rated ineffective.*

*There is a better result in the percentage of projects which the Court found to be free from error. This increased from 31% in 2006 to 46% in 2007.*

*And the Court gives a higher rating than in previous years to the Annual Activity Reports of the structural actions DGs, which means that there are no longer important differences between the Commission and Court in their assessments.*

*The trend is therefore in the right direction. This is an indication that the efforts of the Commission over the last few years, through audits, remedial action plans, guidance and training, are beginning to bear fruit.*

*But let me underline once again that the 11% error rate is clearly too high.*

*So how will the Commission ensure that the improvements in the systems are translated into visibly lower error levels?*

***There are 5 actions we are taking.***

*(SLIDE 3)*

*First, we will continue the tough approach on suspension and financial corrections which motivates Member States to put in place effective primary controls.*

*Second, we will make sure that the stringent controls in place for the 2007-13 period take full effect.*

*Third, we will guarantee a rigorous closure process for the 2000-2006 programmes.*

*Fourth, we will make sure that Member States live up to their obligations on the Annual Summaries. The Commission has issued new guidance for the 2008 exercise. We strongly encourage the Member States to include an overall analysis, and conclusions on the assurance that their systems provide.*

*We will again report to the budgetary authority in March on the results of our assessment of the 2008 annual summaries.*

*I can also assure you that the Commission is actively working with Member States that have voluntarily agreed to deliver national declarations. I believe that this commitment by Member States can be a key driver of improved management on the ground, and therefore to better DAS results.*

*Fifth, we have taken radical action toward simplification. There is general agreement that the complexity of rules is one of the causes of high error rates. These simplifications cover flat rate payments and lump sums for certain types of expenditure.*

*I have also set up an expert working group to examine very rapidly whether there are other simplifications which can be implemented in the short term. However, let me be clear - the Commission will resist any changes to the regulations which would weaken the control arrangements for the 2007-2013 period.*

*Let me mention finally the question of tolerable risk. This issue is particularly relevant for structural actions for two reasons. Firstly it is a policy with a high inherent risk because it is a policy focused on investing in long term development with a multiplicity of operations at regional level. Secondly, it is a multiannual policy with the controls of expenditure taking place over a period of years. This means that the annual level of error during programme implementation is likely to be higher than the level of error at programme closure. I believe it is important to have a constructive discussion with the budgetary authority on this.*

*To conclude, Mr Chairman, honourable members, cohesion policy is a key policy of the EU as recently underlined by the major role it plays in the economic recovery package. That is why our efforts to strengthen controls and bring about a reduction in the level of error are so important. The Court's report for 2007 contains some encouraging signs of progress on which we can build. With the support of the Budgetary Control Committee, the Commission has taken strong measures through its implementation of the Action Plan in 2008 which are producing positive results. I can assure you that it will continue to do so.*

*Thank you for your attention, and I now look forward to answering your questions.*