



## EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FISHERIES AND MARITIME AFFAIRS

Resources and relations with stakeholders

**Interinstitutional relations and dialogue with the sector; Information and communication**

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### **Meeting with RACs on the grant agreements 24 May 2006**

### **DEBRIEFING**

#### **1. Introduction**

Mr Mastracchio, Director DG FISH, welcomed the participants and explained that the purpose of the meeting was to facilitate the understanding and implementation of the grant agreements signed with the RACs. The Commission was aware about some difficulties that RACs were encountering to comply with certain aspects of the agreements. Whilst being ready to seek some flexibility and find appropriate solutions, Mr Mastracchio stressed that this could only be done within the respect of the EU financial framework, which had been approved by Council and Parliament.

#### **2. Update of the RACs**

Each RAC briefly went through their state of play:

- The **Pelagic RAC**, operational since 16 August 2005, had already forwarded to the Commission several recommendations, some of which had been taken on board. The RAC had already sent to DG FISH its mid-term report on the implementation of the grant agreements. (N.B. the report has not been received yet by the responsible person in DG FISH)
- The **Baltic Sea RAC** had been in place for a couple of months (since 13 March 2006) and the demersal group had already met to discuss a non-paper on the cod management plan. The next Executive Committee would meet on 20 June in Copenhagen.
- The **North Sea RAC**, in place for one year and a half (since 1 November 2004), had seen its advice taken on board when they had reached consensual positions. The working groups on demersal and flatfish would now be merged into one (next meeting on 15 June). The other groups dealt with socio-economics and spatial planning. The RAC had also 3 stand-alone projects funded separately by DEFRA. The next Executive Committee would take place on 16 June in the Netherlands.
- The **North Western Waters RAC**, operational since 26 September 2005, had also seen some of its advice accepted by the European Commission. An initial mid-term report on the grant agreements had already been submitted to DG FISH, where they

had acknowledged that the translation and interpretation costs were higher than initially planned, while they were not spending so much money on other items. The next Executive Committee would be on 27 June in Ireland.

- The coordinator for the **Long Distance RAC** explained that the stakeholders had already finalised their submission and that the Spanish administration would soon send a recommendation to the Commission after discussion with the other Member States concerned. As the RAC had a major difficulty to comply with the composition rule due to the large number of Member States involved, the first General Assembly of the RAC (probably after the summer) would request the Commission some flexibility in the interpretation of the rules.
- The coordinator for the **South Western Waters RAC** pointed out that the preparatory works amongst stakeholders had helped to reach agreements on all aspects except one: the headquarters for the RAC. This was unfortunate as there were issues that affected the RAC (like the anchovy) where the Commission had to organise ‘ad hoc’ regional workshops with nominations via ACFA as the RAC was not in place yet.

(No coordinator for the Mediterranean RAC could attend the meeting).

### 3. Principles for EU financial contributions, the grant agreements and common problems

#### Legal base:

- Council Regulation 1605/2002 of 25 June 2002 on the **Financial Regulation** applicable to the general budget of the European Communities (OJ L 248, 16.09.2002).
- Commission Regulation 2342/2002 (**Implementing rules**) of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation OJ L 357, 31.12.2002, modified by Commission Regulation 1261/2005 of 20 July 2005 (OJ L 201 2.08.2005).

DG FISH went through the main principles and rules applicable to Community grants, putting the emphasis on those aspects where RACs were encountering major difficulties (as identified by the RACs during an Inter-RAC meeting on 23 May 2006).

EU grants are defined as direct financial contributions from the Community budget awarded to third-party beneficiaries, in this case the RACs. RACs have signed a Framework Contract (duration of 5 years) with the European Commission with a view to establish a long term cooperation and two specific grants in compliance with this framework agreement : a grant for an Action to cover the translation and interpretation costs and an Operating grant to provide support to the annual operating budget of the RACs. The Operating grants are in principle subject to the **degressivity rule**, i.e., the annual renewal of such grants is accompanied by a reduction of the percentage of the operating budget financed by the Community grant. RACs have pointed out that this rule has made them encounter a major problem: their inability to generate excess income on an annual basis to compensate for the gradual reduction of grant aid.

DG FISH explained that, on the basis of the **non-profit rule** applicable to EU grants, any surplus generated by a RAC would be considered as a profit and the Community grant

would be reduced accordingly. The rationale behind this rule was that the grants aim was to cover the part of the budget not covered by other sources of financing and that RACs were, therefore, not authorised to create any reserve funds from one year to the other as the Community grant decreased.

There is an exception foreseen by the Financial Regulation to the degressivity rule that could possibly be applied to RACs if they were considered as **bodies pursuing an aim of general European interest (Art. 162 of IR)**. This could only be done through an amendment to the RACs legal base (Council Decision 2004/585/EC establishing RACs). The Pelagic RAC hesitated as it was concerned that being recognised as an EU body could compromise the independence of the RACs. DG FISH clarified that RACs would remain independent and would not be considered an EU body but simply a body working for a European interest instead of working in partnership with the Commission (Art. 163 of IR). In the case of the RACs, the following definition would apply: “(...) constitute a **European network representing non-profit bodies** active in the Member States or in the candidate countries and **promoting the principles and policies** consistent with the objectives of the Treaties”.

The NWW RAC was concerned about any possible impact of this change on the legal status of the RACs. DG FISH explained that the legal status of the RACs should not change as long as they remained non-profit making organisations.

DG FISH acknowledged that there was a general support from RACs to this proposal and would therefore discuss it with the Commissioner. This amendment to the Council Decision should, however, not be linked to any other modification nor to the review envisaged in 2007 to ensure that it could be approved relatively quickly (preferably before the end of the year). The final decision, though, would be in hands of the Member States. As there would be no specified time limit as to the award of the grant, RACs would no longer need to become self-financing after an initial period of five years. The proposal of declaring RACs as bodies pursuing a European interest would also simplify the procedures as the two specific grant agreements could be merged into one.

Concerning the **limited transferability of funds** from one budgetary item to the other when the final costs incurred by the RAC did not correspond with the estimated budget, no further flexibility than what is already possible could be contemplated. Initially, the contracts allowed for a transfer of a maximum of 10% between budgetary items. The contracts were being amended to introduce further flexibility in two provisions:

- RACs could **transfer a maximum of 20%** from one budgetary item to the other at the end of the year.
- RACs could produce a **mid-term adjustment** of the estimated budget to better reflect the real expenses they were incurring as long as the total budget did not change. This should be communicated to DG FISH through registered letter around 6 months after the signature of the grant agreements or, at least, 3 months before the closing date of the agreement. DG FISH insisted on a more systematic use of this possibility at least in the first year. It is the only option to substantially change the cost estimates annexed to the grants agreement. After that, no other flexibility than the 20% transfer between budgetary items as mentioned above can be considered.

Regarding the external **audit report**, it was compulsory when the final request for payment was made (payment of the balance) and it had to be prepared by an independent external body. The report should express an impartial opinion on the financial statements audited and certify that the accounts were correct and complete. The principal objective of the external audit report was to verify the regularity and integrity of the accounts of the RACs and confirm that they presented a true and fair view of the situation. The **accountant's role** was to certify the accounts when sending the intermediate report. (This could be done by the internal accountant of the RAC). The NSRAC considered that their audit report complied with the international audit standards: the auditors had examined the accounts and concluded that they were a true reflection of the activities during the period. DG FISH explained that some of the elements included in the report were wrong; it would discuss this matter with the NSRAC bilaterally.

RACs also pointed out the problems generated by the current **payment modalities** defined in the grant agreements, which meant that RACs had to find other sources that could advance the funding that they needed to operate. DG FISH believed that the modalities could be changed in order to allow RACs to have more funds available from the beginning. A possible solution could be a prefinancing of 50% of the total grant, followed by an intermediate payment of 30% (on the basis of a report and financial statements certified by the internal accountant) and a final payment of 20% (on the basis of the adoption, by the Commission, of the final implementation report, financial statements and external audit report).

The BS RAC was specially concerned by the payment modalities as the RAC was not linked to any body that could support them financially before the payment of the balance. The NSRAC pointed out the risk that RACs could be declared bankrupt. DG FISH explained that RACs had in any case to find other sources of financing on the basis of the principle of **co-financing** (activities cannot be financed entirely out of Community funds). DG FISH also clarified that the interests generated by a bank loan to cover the shortfall of the RACs would not be eligible for Community funding. The NSRAC proposed that RACs could set up Trust Funds as a separate legal entity to the RAC but this idea was not acceptable for DG FISH.

The decision to request of a **bank guarantee** was in hands of the Director General of DG FISH, depending on the analysis of risks undertaken by DG FISH. Considering that RACs were new bodies, the risk was considered too high not to request a bank guarantee, at least in the first years. As the BSRAC had had problems to secure this requirement, DG FISH is examining the possibility to accept a guarantee by a third party.

An additional suggestion by the RACs was to have a **one-page checklist** of all the requirements of the grant agreements for the new RACs (timeline, schedule of deadlines, reports...). DG FISH will try to prepare this paper. However, DG FISH has pointed out that this information can be found in the agreements and has insisted on the importance of reading them very carefully.

DG FISH also clarified the following aspects:

- The interests generated by the grant awarded by the Commission should be declared and would have to be recovered by the Commission. They would come in deduction of the final payment.

- To be considered as eligible, all the expenditure foreseen in the estimated budget and incurred by the RACs has to be made during the period of the contract (date of the invoice ), independently from other rules concerning the type of eligible expenditure.
- The VAT would only be eligible if the RAC was not entitled to a reimbursement for it.

The meeting concluded and was followed by individual sessions with each of the RACs already operational to address their particular problems. The following are some of the results of these individual sessions:

- DG FISH will get back to RACs on :
  - o How to deal with the members' quotas paid in advance.
  - o Whether it would be acceptable for the Commission that the interests generated by a Bank loan were reimbursed by the Member States or by a third party.
- Contracts where the value exceeds EUR 13 800 (i.e. rapporteur) but is under EUR 50.000 have to be awarded through a restricted procedure with at least five candidates being consulted. . A shortlist including at least 3 candidates should be set up for negotiation. The final list (including the names of the candidates rejected and the reasons for their rejection and the name of the candidate selected and the reasons for that choice) will be signed by the RAC and sent to DG FISH.

Miriam García Ferrer

**LIST OF PARTICIPANTS TO THE MEETING WITH RACs ON THE GRANT AGREEMENTS**

**Brussels, 24 MAY 2006**

<b>Organisation</b>	<b>Name</b>
<b>North Sea RAC</b>	Ms Ann BELL – Secretariat
	Tom Buchan – Accountant
<b>Pelagic RAC</b>	Ms Ingvild HARKES – Secretariat
<b>North Western Waters RAC</b>	Ms Patricia COMISKEY – Secretariat
	Ms Dolores HANRATTY – Secretariat
	Mr Pagraig GORDON – Accountant
<b>Baltic Sea RAC</b>	Mr Tobias KERRN-JESPERSEN – Secretariat
	Ms Anja HUGSTED JENSEN – Secretariat
<b>Long Distance Pre-RAC</b>	Mr Manuel LIRA FRANCH – Coordinator
<b>South Western Waters Pre-RAC</b>	Ms Maria José GONZALEZ – Coordinator
<b>Mediterranean Pre-RAC</b>	NONE
<b>DG FISH</b>	Mr Emilio MASTRACCHIO
	Ms Monique PARIAT
	Ms Chiara GARIAZZO
	Ms Pascale COLSON
	Ms Maria Jesús RUIZ MONROY
	Miriam GARCÍA FERRER
	Ms Katerina SOKOLI