

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 17/10/2016 - Document attached to the procedure

PURPOSE: presentation of a report on the follow-up to the requests made by the European Parliament in its discharge resolutions and the Council in its recommendation for the year 2014.

CONTENT: the [discharge for the financial year 2014](#) was marked by the alignment of the most involved European Institutions – European Parliament, Council, European Court of Auditors, Commission - on the **importance of focusing on the performance of the EU budget**.

In the discharge proceedings, a new balance was thus struck between issues relating to the results delivered by the EU budget and issues concerning the formal compliance with rules.

In 2015, **progress was made** on the '[Budget Focused on Results](#)' (BFOR) initiative in relation to inter alia developing a conceptual framework, reinforcing programme statements in the annual budget, and upgrading the Commission's Strategic Planning and Programming cycle.

The work continues in 2016 with e.g. meetings of the expert group on performance based budgeting, a streamlining of reporting on both performance and compliance issues in the new Annual Management and Performance Report, and the review of the Financial Regulation.

Also the European Court of Auditors stressed the need for a **revised balance between performance and compliance issues**, calling for a 'wholly new approach to investment and spending' when it published its Annual report concerning the 2014 financial year. It invited EU decision-makers, EU legislators and financial managers to ensure that EU funds are spent in line with strategic priorities and achieve the intended results.

These issues were discussed extensively during the discharge proceedings in the Parliament as well as in the Council.

[Parliament's report on discharge of the Commission](#) emphasised the need to ensure "continuity and innovation" in the discharge. In addition to increasing the focus on performance issues, it reacted to the Commission's follow-up of requests made by the EP in past discharge proceedings. Evidence was given of the Commission's formal commitments to implement fully and timely a series of actions and measures related to the issues identified.

The present report takes into account these commitments whilst updating, where relevant, the situation by providing an **overview of further actions taken up to now**. It is accompanied by two Commission staff working documents containing replies to 350 Parliament and 57 Council specific discharge requests.

The Commission agrees to start new actions on 100 requests (88 from the Parliament and 12 from the Council). It considers that for requests 272 (227 from the Parliament and 45 from the Council), the required action has already been taken or is on-going, though in some cases the results of the actions will need to be assessed. Lastly, for reasons related to the existing legal and budgetary framework or its institutional role or prerogatives, the Commission cannot accept 35 requests from the Parliament.

Other issues may be summarised as follows:

Budgetary performance: the Commission is firmly committed to: a) seeking a financial programming with adequate budgetary means for longer term policy priorities; and b) implement the legislative framework put in place by the Parliament and the Council in order to improve reporting on the contribution of the ESI Funds to the achievement of the Union's strategy for smart, sustainable and inclusive growth.

Furthermore, Parliament called on the Commission to improve its reporting on performance issues. The Commission has presented the new [Annual Management and Performance Report for the 2015 EU Budget](#) which provides a comprehensive overview of how the EU budget supports the Union's political priorities and the role the Commission plays in fostering a culture of performance as well as in ensuring and promoting the highest standards of budgetary management. The report is an important contribution by the Commission to the annual budgetary discharge process.

"Focus, speed and results" are the guiding principles of a number of initiatives, which fall into four different areas as illustrated in the new Annual Management and Performance Report. This approach shows the Commission's commitment to streamline reporting on the performance of the budget.

The 'Budget Focused on Results' (BFOR) initiative strives for continuous progress in this area. Specific improvements were already introduced during 2015 in the Commission's strategic planning and programming cycle as well as in the budgetary procedure. These changes enhance performance planning, monitoring and reporting for all programmes.

Addressing the level of error: in response to the request by both the Parliament and the Council to apply strictly Article 32(5) of the Financial Regulation, the Commission will carry out analyses of "areas of persistently high levels of errors" and report on the root causes and on measures taken to address them, while ensuring cost-effectiveness of controls. In this respect, the Commission is committed to continue **close coordination with the Member States and other entities entrusted with the implementation of the EU budget**, to identify areas where concerted action is necessary or is considered likely to be beneficial. Preventive action such as providing guidance to Member States or suspending/interrupting funds will be taken when appropriate.

As requested by the Parliament and the Council, the Commission, in cooperation with Member States, will continue to use all information available to prevent, detect and correct possible errors.

Parliament has requested the Commission to assess for each policy domain and for the Union budget as a whole, the level of error remaining after corrective measures, while taking into account the multi-annual nature of programmes. The Commission followed up on this request by presenting its best estimate of the so-called "amount at risk at closure" for each policy area and for the budget as a whole. It carries out **consistency checks** on Member States' data such as control statistics for CAP spending, and the annual financial corrections statements for all Member States and operational programmes in the areas of Cohesion policy.

Pressure on the budget: Parliament requested the assessment of all flexibility provisions of the MFF and measures to overcome insufficient absorption capacity. In this regard, the Commission has presented a payment forecast assessing the sustainability of the current ceilings and including the estimate of de-commitments and the evolution of RAL until the end of the current MFF.

As for the CAP, the EAFRD provides Member States with pre-financing for implementation of their 2014-2020 programmes. For the programming period 2014-2020, the Commission increased by one year the time period during which Member States have to implement budgetary commitments. Currently, the N+3 rule applies, which means that Member States have 4 years to implement EAFRD funds. This new rule will enhance utilisation of funds by Member States.

Concerning Cohesion Policy, the Commission took the initiative to tackle absorption problems in a flexible way, creating the Task Force for Better Implementation. This Task Force has agreed action plans, ensuring an exchange of experience and good practices. It has supported some Member States into looking at the situation of their programmes and into actively searching for solutions to some of the challenges faced, while continuing to ensure strict compliance with the applicable rules.

The Commission will be able to assess the full impact of the Task Force on Member States' use of the 2007-2013 budgetary allocations after the closure of all relevant programmes. For the 2014-2020 period, all national authorities are strongly encouraged to jump start programme implementation.

Lastly, the report focused on more specific issues such as:

- the management of external assistance with regard to the refugee crisis;
- internal management within OLAF and the concern of the protection of whistleblowers;
- the tobacco agreement and the specific follow-up by the Commission on the fight against illegal tobacco trade (such as “cheap whites”).