

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

2016/2151(DEC) - 31/03/2017 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Joachim ZELLER (EPP, DE) recommending the Parliament to **grant the Commission discharge** in respect of the implementation of the general budget of the European Union for the financial year 2015, and also grant discharge to the Directors of the Education, Audio-visual and Culture Executive Agency, the Executive Agency for Small and Medium-sized Enterprises, the Consumers, Health, Agriculture and Food Executive Agency, the European Research Council Executive Agency and the Innovation and Networks Executive Agency in respect of the implementation of their respective Agencies' budgets for the financial year 2015.

The committee recommended that Parliament **close the accounts** of the general budget of the Union for 2015.

Members stated that Europe is facing a crisis of confidence in its institutions and Parliament must be particularly rigorous when scrutinising the accounts of the Commission. They stated that Parliament must have a strong engagement towards Union citizens' concerns about where the Union budget is spent and how the Union protects their interests.

Budget, programming periods and political priorities: Members noted that the seven year duration of the current Multiannual Financial Framework (MFF) is not synchronised with the five year mandates of the Parliament and the Commission, and that this also creates **discrepancies between the budget for the financial year and its discharge**. They considered that this is one of the causes of a major deficiency of the Union political governance since the Parliament and the Commission are bound by previous agreements on political objectives and finances which could create the impression that the European elections are irrelevant in this context.

They endorsed the Court's position on a mid-term review of the MFF and called for:

- a rolling budgeting programme with a five years planning horizon, clause(s) of revision by objectives and policies and rolling evaluation programme;
- determining the duration of programmes and schemes on policy needs rather basing it on the length of the financial planning period.

They called on the Commission to make greater use of the opportunities regarding the **performance reserve within the existing legal framework**, in order to create a genuine financial stimulus to effectively improve financial management.

The Commission is also requested to orient its priorities towards the successful achievement of the Europe 2020 Strategy by using the instruments of the European Semester.

Members regretted **shadow budgets**. These are numerous financial mechanisms supporting Union policies are **not directly financed by the Union budget** or recorded in the Union balance sheet: these include the European Financial Stability Facility, the European Stability Mechanism, the Single Resolution Mechanism and the European Investment Fund linked to the European Investment Bank (EIB).

They regretted that the increasing use of such financial instruments, and also the financial instruments in shared management (the financial engineering instruments), poses higher risks not just for the EU budget

remaining a credible instrument and sufficient for both current and future objectives, but also for **accountability** and the coordination of Union policies and operations.

Budgetary and financial management: Members regretted that the backlogs in the use of 2007-2013 Structural Funds are significant and noted that by the end of 2015, payment of 10 % of the total **EUR 446.2 billion** allocated to all approved operational programmes (OPs) was still outstanding. They noted with concern that five Member States (Czech Republic, Italy, Spain, Poland and Romania) and principle beneficiaries accounted for more than half of the unused commitment appropriations for Structural Funds that have not led to payments for the programming period 2007-2013. They feared that the forthcoming MFF might start with an unprecedented high level of "RAL" which might endanger the management of the EU budget in the first years.

I. The Court of Auditors' Statement of Assurance (DAS):

- **Accounts and legality and regularity of revenue:** Members welcomed the fact that the Court gives a **clean opinion** on the reliability of the accounts for 2015 and that the commitments underlying the accounts for the year ended 31 December 2015 are legal and regular in all material respects.
- **Legality and regularity of payments – adverse opinion:** Members deeply regretted that that for the 22nd year in a row payments are materially affected by error because of the fact that the supervisory and control systems are only partially effective. They stressed that even if the situation has improved in recent years the most likely error rate is still significantly above the materiality threshold of 2%.
- **Getting results from the Union budget:** Members called on the Commission to better evaluate in its next performance reports the outputs and the outcomes of all policies and to clearly and synthetically show the **contribution of European policies to EU objectives** and to evaluate their respective contribution to the Europe 2020 targets. They regretted that the Court found that the current setup does not enable the Commission to monitor and report separately the spending and performance of research and development (R&D) and innovation within Horizon 2020. They called on the Commission to present, in its future performance reports, the contribution of Horizon 2020 to Europe 2020 in a clear and exhaustive way.

II. Budgetary implementation by policy area – measures to be taken: Members discussed budgetary implementation and made the following observations:

- **Competitiveness for growth and jobs:** Members called on the Member States to make an extra effort with the view to meeting the target of 3 % GDP being invested in research; this would boost excellence and innovation. They also called on it to examine the possibility of proposing a **science covenant at local, regional and national level**, building on the dynamic already created by the Covenant of Mayors and called on the Member states and the Parliament to make an effort through the Union budget too.
- **Economic, social and territorial cohesion:** Members stressed that errors in direct support area were nearly all due to an **overstated number of eligible hectares** and pointed out that in rural development, half of the errors were caused by the ineligibility of the beneficiary or project, 28% by procurement issues, and 8% by infringements to agri-environmental commitments. They stated that direct payments do not fully play their role as a safety net mechanism for stabilising farm income, particularly for smaller farms, given that the current unbalanced distribution of payments leads to 20% of all farms in the EU receiving 80% of all direct payments. They considered that larger farms do not necessarily need the same degree of support for stabilising farm incomes as smaller farms and that that capping the direct payments, as initially proposed by the European Commissions and endorsed by the European Parliament, could deliver sufficient financial resources to **make the CAP fairer**.
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Global Europe: Members called on DG DEVCO and DG NEAR to enhance the quality of expenditure verifications contracted by beneficiaries.

- **Migration and security:** Members expressed concern over checks carried out on funds for refugees, which are frequently allocated by the Member States in emergencies in ways that do not comply with the rules in force. They regarded it essential that the Commission introduce more rigorous checks, including with a view to ensuring that the human rights of refugees and asylum seekers are upheld.
- **Administration:** Members emphasised that **geographical balance**, namely the relationship between staff nationality and the size of Member States, should still remain an important element of resources management particularly with respect to the Member States that have acceded to the Union since 2004.