2016 discharge: EU general budget, European Commission and executive agencies

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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 2016, 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 2016.

The committee recommended that Parliament **close the accounts** of the general budget of the Union for 2016.

Budget, programming periods and political priorities: Members insisted that the Union budget, as a consequence of the "budget focused on results initiative", be presented according to the Union´s political objectives for the MFF. In the light of the post-2020 MFF, the Union budget should be a **true European added value budget**, aimed for common Union objectives promoting sustainable economic and social development of the whole Union.

They expressed the need to establish an **independent disclosure, advice and referral body** in order to help whistleblowers use the right channels to disclose information on possible irregularities while protecting their confidentiality and offering needed support and advice.

Some of the main priorities highlighted concern, *inter alia*:

- reviewing the young farmers' and greening schemes for the next MFF;
- provide the Parliament and the Court with more balanced reporting, by including in its performance reports more transparent information on challenges, pitfalls and failures;
- speed up the delivery of cohesion policy programmes and related payments;
- improve the transparency of **migration** policy financing and to actively monitor public procurement procedures when they are held in emergency situations;

Members noted with concern that the Commission uses two sets of objectives and indicators to measure the performance of its services and of spending programmes with hardly any cross-references, which **hampers comparability** between different types of performance documents. They regretted the virtual non-existence of usable and efficient impact and outcome indicators to measure, and to distribute information about, the performance of Union expenditure.

Budgetary and financial management: Members pointed out that the delays in the implementation of programmes in the first three years of the current MFF due to the late adoption of the 2014-2020 MFF and considerable novelties introduced for the 2014-2020 period which caused administrative difficulties despite efforts at simplification, led to the transfer of commitment appropriations from 2014, mainly to 2015 and 2016, and to low payments in 2016 (and implementation of the Union budget at 7 % in 2014-2016 period of the current MFF).

2017 was, however, the first year when the implementation of ESIF programmes accelerated. They expect that this trend will continue in 2018 and 2019.

Members regretted the **lack of the unity of the Union budget**, and fully shared the Court's concern as regards the complexity of the Union budget. They fear that despite the extensive use of special instruments (the Emergency Aid reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the Flexibility Instrument) and margins, the amounts left may **not be sufficient** to fund unexpected events that may still occur before 2020.

They noted with concern that a **record level of outstanding commitments** has been created, reaching by the end of 2016 an all-time high of EUR 238 billion, 72 % higher than in 2007 and equivalent to 2.9 years of payments compared to 2.2 years in 2007. This has increased the amounts owed by the Union and thus the financial exposure of the Union budget. They fear, however, that a **backlog of payments** may develop towards the end of the current MFF and in the first few years of the next MFF.

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

- **Accounts and legality and regularity of revenue**: Members welcomed the fact that the Court has given a **clean opinion** on the reliability of the accounts for 2016 and that the revenue was **free from material error** in 2016. The commitments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects.
- **Legality and regularity of payments**: Members noted with satisfaction that for the **first time in 23 years**, the Court has issued a **qualified (rather than an adverse) opinion** on the legality and regularity of the payments underlying the accounts, which means that in the Court's view, there has been an **important improvement** in the management of Union finances. However, they regretted that for the 23rd year in a row, payments are materially affected by error because of the fact that the management and control systems are only partially effective at ensuring sound financial management and timely payment.

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 DG R&I to follow up the recommendations of the Internal Audit Service (IAS) which found weaknesses in ensuring a consistent project monitoring approach across the Horizon 2020 implementing bodies.

Economic, social and territorial cohesion: Members are pleased that the employment rate in 2016 reached again the 2008 pre-crisis level of 71%, but the situation varies markedly across the Union and this rate is well below the Europe 2020 target of 75%. They noted with concern that unemployment rates still remain too high, in particular among **young people** and long-term unemployed.

Members noted with regret that one of the main sources of expenditure-related errors under the heading 'Economic, social and territorial cohesion' continues to be **breaches of the rules on public procurement**. They pointed out that serious breaches of the rules on public procurement include the direct award of additional contracts or additional works or services for which no justification is given, the illegal exclusion of bidders, conflicts of interest and discriminatory selection criteria. Projects using the simplified cost options are less error-prone than reimbursements of actual costs.

Member States and the Commission are urged to pay more attention, under the post 2020 financial period, to:

- creating EU added-value with cohesion policy;
- building stronger coordination between cohesion, economic governance and the European semester;
- devising a system which allows concentration of cohesion funding on regions which need it most;
- drafting a single set of rules for structural funds;

- faster implementation of programmes and projects;
- the geographic and social balance to ensure that investments are made where they are most needed.

Global Europe: Members are deeply concerned by the fact that according to the Court, DG NEAR auditors have detected weaknesses in the indirect management of the second instrument of preaccession assistance (IPA II), more specifically, at the audit authorities of three IPA II beneficiary countries - Albania, Turkey and Serbia.

On migration, Members called on DG HOME to consider defining, in cooperation with DG DEVCO and DG NEAR, a key performance indicator related to the elimination of the underlying and root causes of irregular migration. They also called on the Commission to:

- regroup the budget lines financing migration policy under a single heading with a view to enhancing transparency;
- define specific strategies with EU support teams to ensure the safety of women and accompanied minors at hotspots;
- provide an estimated cost paid per migrant or applicant for asylum country by country.

Administration: Members stressed the importance of finding a solution to the problem of the excessive, and in many cases abusive, billing of the **medical expenses** of the staff and members of the Parliament in some Member States. They called on the Commission to seek solutions to this problem.

Members also regretted that after more than 15 years there is still **no sound financial management system** in place for European schools.