2017 discharge: EU general budget, European Commission

2018/2166(DEC) - 28/02/2019 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Inés AYALA SENDER (S&D, ES) 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 2017, 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 2017.

The committee recommended that Parliament close the accounts of the general budget of the Union for 2017.

Budget, programming periods and political priorities

In 2017, the Union budget was in the fourth year of implementation of the current Multiannual Financial Framework (MFF), and amounted to EUR 159.8 billion, including six amending budgets, and that the allocations in different areas were:

- EUR 75.4 billion for smart and inclusive growth;
- EUR 58.6 billion for support to the European agricultural sector;
- EUR 4.3 billion for reinforcing the external borders of the Union and addressing the refugee crisis and irregular migration;
- EUR 10.7 billion for activities outside the Union;
- EUR 9.4 billion for the administration of the Union institutions.

Member underlined that the Union budget supports the implementation of the Union policies and the achievement of their priorities and objectives. The report noted the achievement of the following results:

- Horizon 2020 provided EUR 8.5 billion of funding, which further mobilised direct additional investments, leading to a total of EUR 10.6 billion and funding to 5 000 projects;

- by the end of 2017, COSME provided financing to more than 275 000 small and medium sized companies (of which 50 % were start-ups) in 25 countries that would otherwise have struggled to secure private financing due to their high risk profile;

- the Asylum, Migration and Integration Fund (AMIF) supported the creation of over 7 000 additional places in reception centres; the number of places adapted for unaccompanied minors, an especially vulnerable migrant group, also increased from only 183 places in 2014 to 17 070 places in 2017; by the end of 2017, 1 432 612 third-country nationals had received integration assistance;

- the EU provided more than EUR 2.2 billion in humanitarian aid in 80 different countries; EU humanitarian funding supported the education of over 4.7 million children caught up in emergencies in over 50 countries;

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

Accounts and legality and regularity of revenue

Members welcomed the fact that the Court gave a clean opinion on the reliability of the accounts of the European Union for 2017, as it has done since 2007. However, Members noted that for 2017, the Court has issued for a second consecutive year a qualified opinion on the legality and regularity of the payments underlying the accounts, which according to the Court, indicates that a significant part of the 2017 expenditure audited by it was not materially affected by error and that the level of irregularities in EU spending has continued to decrease.

They welcomed the positive trend of a continuing decrease in the most likely error rate for payments determined by the Court in recent years, reaching an all-time low level of 2.4% in 2017, which, regrettably, is still above the threshold of 2%.

Revenue

Members noted that in 2017, the Union had own resources of EUR 115.4 billion and other revenue of 17.2 billion, and that the surplus carried over from 2016 was EUR 6.4 billion. They noted with satisfaction the Court's conclusion that in 2017 revenue was free from material error and that the revenue-related systems examined by the Court were, overall, effective, but that some controls for Traditional Own Resources (TOR) were only partially effective.

The Court stated that there is necessity for improvement in the Commission's actions to safeguard Union revenue in order to address weaknesses in its management of the risk of under-valued imports in relation to TOR and in its verifications on the VAT-based own resource. These weaknesses may affect the Member States' contributions to the EU budget.

Budgetary and financial management

In 2017, 99.3 % of the amount available for commitments was implemented (EUR 158.7 billion), but stresses that the executed payments were only EUR 124.7 billion, mainly due to Member States submitting fewer claims than anticipated for the multiannual programmes of the 2014-2020 European Structural and Investment Funds (ESIF), as well as to the late adoption of the MFF and sectoral legislation.

Members expressed concern that in 2017 the combination of high commitments and low payments increased outstanding budgetary commitments to a new record of EUR 267.3 billion (2016: EUR 238.8 billion) and that the Court projections indicate this amount will rise even more by the end of the current MFF, which may lead to a significantly increased risk of insufficient payment appropriations, but also to a risk of errors under the pressure for a swift absorption given a potential loss of Union funding. The EU budget is not allowed to run a deficit and that the growing payments backlog in fact represents a financial debt.

The Commission is called on to improve the accuracy of the payment forecast and to use the lessons learned from the previous programming period in order to deal with the accumulated backlog in payments and avoid its negative effect on the next MFF and to present the Action Plan on reducing the payments backlog during the 2021 - 2027 multiannual financial framework.

Again, Members called for the addition of a budget line in future budgets of the Union dedicated to tourism in order to ensure transparency regarding the Union funds used to support actions for tourism.

II. Budgetary implementation by policy area

Members discussed budgetary implementation and made the following observations:

Economic, social and territorial cohesion

The Court identified and quantified 36 errors in its sample of 217 transactions for 2017, which audit authorities in Member States had not detected, and that the number and the impact of these errors indicate persisting weaknesses with the regularity of the expenditure declared by managing authorities. The Commission should work even closer with the managing and audit authorities of individual Member States on detecting these errors and specifically targeting the most frequent ones.

Members are worried about the lack of transparency in spending for financial instruments as four times more money is available for financial instruments under the current MFF.

Security and citizenship

The 2014-2020 allocated resources for AMIF (Asylum, Migration and Integration Fund) increased from EUR 2 752 million to EUR 5 391.5 million by the end of 2017 and that between 2014 and 2017, the number of target group persons provided with assistance (in reception and asylum systems) increased from 148 045 to 297 083, and that of these, the share of persons having benefited from legal assistance has risen from 18 395 (12.4 %) to 56 933 (19.1 %).

Members called on the Commission to define and put in place a balanced and comprehensive migration policy based on the principles of solidarity and partnership instead of considering the migration policy as a crisis management issue. They are also concerned that there is a risk that EU money foreseen for development is used for other purposes such as to fight irregular migration or military action.

Environment, Public Health and Food Safety

In 2017, the LIFE Programme celebrated its 25th anniversary. The programme provided EUR 222 million to co-finance 139 new projects. Further efforts need to be made to lower payments delays under the LIFE Programme, as 5.8 % of payments exceeded legal deadlines in 2017 (3.9 % in 2016, 12 % in 2015).