2018 discharge: EU general budget, European Commission

2019/2055(DEC) - 13/05/2020 - Text adopted by Parliament, single reading

The European Parliament decided by 499 votes to 136, with 56 abstentions, to **grant discharge** to the Commission and the executive agencies in respect of the implementation of the general budget of the European Union for the financial year 2018.

In the resolution accompanying its discharge decision (adopted by 514 to 95, with 84 abstentions), the European Parliament made a series of observations:

1) Reliability of accounts

Parliament welcomed the fact that the Court of Auditors had concluded that the accounts for 2018 were reliable and that the revenue was free of material error in 2018. It also welcomed the positive trend in the most likely error rate for payments established by the Court compared to the trend of recent years, as the rate is 2.6% for payments in 2018. However, it regretted that payments are affected by a material level of error due to the fact that the supervisory and control systems are only partially functioning.

The Court audited transactions worth a total EUR 120.6 billion. The highest estimated error rate was found in the Multiannual Financial Framework (MFF) expenditure under 'Economic, social and territorial cohesion' (5.0 %), while the lowest materiality level error rate for 'Competitiveness for growth and jobs' expenditure was found at the materiality level (2.0 %). Moreover, research expenditure remains an area of higher risk and the main source of error in the competitiveness heading of the MFF. Members regretted that the Court did not estimate the level of error for areas of expenditure under headings 3 (‘Security and citizenship’) and 4 (‘Global Europe’) of the MFF.

As in previous years, eligibility errors (i.e. ineligible cost claims and ineligible projects, activities or beneficiaries) contributed most to the estimated level of error for high-risk expenditure for 2018. Parliament asked the Commission to pay particular attention to these errors and to assess whether they present a risk to free competition or even indicate potential cases of corruption. If so, the Commission should take corrective action and inform the European Public Prosecutor's Office.

The Commission was invited to streamline and simplify the strategic frameworks governing the implementation of the EU budget in order to strengthen accountability for results and increase clarity and transparency for all stakeholders.

2) Budgetary and financial management

In 2018, the commitment and payment appropriations available in the final budget were almost fully used, i.e. 99.5% of commitment appropriations and 98.6% of payment appropriations. The number of payment requests received from Member States for the European Structural and Investment Funds (ESF) increased significantly.

Members pointed out that according to the Court's forecasts, a total of EUR 44.9 billion was at risk of not being used by the end of 2020. They recalled that the flexibility provided by the global margin for payments (GMP) ends with the current MFF at the end of 2020.

Parliament expressed its concern that outstanding commitments (RAL) continued to increase in 2018 to reach a new record level (EUR 281.2 billion at the end of 2018 compared to EUR 267.3 billion in 2017) and that this situation presented a serious risk. It invited the Commission to improve its financial forecasting and, if necessary, to assist countries in identifying eligible projects, in particular projects with a clear European added value, in order to reduce the RAL.

Parliament shares the Court's concern that the payment appropriations available may not be sufficient to cover all the amounts due in the first years of the new MFF, which could be the case in particular in 2021, the first year of the 2021-2027 MFF. It invited the Commission to improve the accuracy of the forecasts of the needs for payment appropriations and called on the budgetary authority to ensure, for the next MFF, a balanced relationship between commitment and payment appropriations entered in the budget through an increase in payment appropriations, a modification of the decommitment rules and/or a decrease in commitment appropriations.

3) Political priorities

Parliament insisted on the following points:

Respect for the rule of law

Respect for the rule of law is one of the most important conditions for compliance with the principles of sound financial management. Concerned about financial losses due to a general breakdown in the rule of law in several Member States, Parliament argued that the Union should be able to impose appropriate measures including the suspension or reduction of Union funding or even a restriction of access to it.

Protection of financial interests

Further efforts are needed at all levels to prevent and combat fraud, corruption and misuse of EU funds. Parliament criticised the lack of funding and staff for the European Public Prosecutor's Office during the start-up phase and the Commission's under-estimation of its needs. It encouraged the Commission to present a draft amending budget, stressing that the European Public Prosecutor's Office had to handle up to 3000 cases per year and needed at least 76 additional posts and EUR 8 million to be fully operational by the end of 2020.

Prevention of conflicts of interest

Parliament called on the Commission to combat all forms of conflict of interest and to regularly evaluate the preventive measures taken by the Member States to avoid them. It urged the Council to adopt a common code of ethics for all issues relating to conflicts of interest and to define a common position for all Member States.

Agricultural funds allegedly benefitting oligarchic structures

In order to combat fraud, Parliament called on the Commission to table a proposal modifying the CAP and cohesion rules in order to bring about a fairer allocation of Union funds and thereby avoiding a skewed distribution where a small minority of beneficiaries (both natural and legal persons) receives the vast majority of Union subsidies in both areas; deems it necessary to change MFF rules to avoid a situation in which one natural person owning several companies has the possibility of receiving Union subsidies in CAP and cohesion amounting to three-digit million during one MFF.

Complaint mechanism for farmers

The Commission was invited to set up a specific complaint mechanism at EU level to support farmers or beneficiaries facing, for example, abusive land grabbing practices, misconduct by national authorities, pressure from criminal organisations or organised crime, or support for people subjected to forced or slaved labour.

Members also called for the establishment of a uniform and standardised information system for Member States to report information on the final beneficiaries of Union funds in the area of agriculture and cohesion.

Other recommendations

The Commission was called, inter alia, to:

- work closely with Member States to guarantee comprehensive, precise and reliable data keeping in mind the goal of full implementation of the Single Audit Scheme;

- ensure that a transparent methodology and consistent terminology is used and streamline its reporting, in particular with regard to error rates in order to avoid confusion and opacity;

- define more rigorous key performance indicators that reflect the effects and achievements attributable to EU spending programmes and policies rather than the performance of the authorities implementing them;

- examine, together with Member States, how to collect customs duties more effectively and to recover amounts which, through fraud, have not been paid, and what improvements can be made in the collection of customs revenue;

- pay more attention to the geographical distribution of research funding in order to contribute to the dissemination of research at the highest level of excellence throughout the Union;

- improve the technical support (training sessions, communication, etc.) offered to national, regional or local authorities in order to improve absorption rates;

- promote a better consideration of gender balance in budgeting when allocating funds;

- take specific measures, in cooperation with Member States' authorities, to prevent the misuse of EU funds and to avoid abuse and trafficking, taking into account the dramatic situation of the most vulnerable migrants in reception and registration centres.

Lastly, Parliament called for greater transparency and a more strategic approach to development cooperation policy, noting with concern the award of a large number of contracts to a very limited number of national development agencies.