2019 discharge: General budget of the EU - European Commission

2020/2140(DEC) - 28/04/2021 - Text adopted by Parliament, single reading

The European Parliament decided by 504 votes to 178, with 16 abstentions, to grant the European Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, and also grant discharge to the Directors of the Education, Audio-visual and Culture Executive Agency, European Innovation Council and SMEs Executive Agency, the Consumers, Health, Agriculture and Food Executive Agency, the European Research Executive Agency and the European Climate, Infrastructure and Environment Executive Agency in respect of the implementation of their respective Agencies' budgets for the financial year 2019.

Budget, programming periods and political priorities

The 2019 discharge procedure covers a year marked by political and institutional transition with elections to the European Parliament and a new legislature which commenced on 2 July 2019 and the appointment of a new Commission, which took office on 1 December 2019 and which set new political priorities such as the European Green Deal, an increasing focus on digitalising the Union and the protection of its values and of the money of Union taxpayers.

Concerned about the state of the rule of law in some Member States and the financial losses caused by such failures, Members called on the Commission to use all instruments at its disposal to suspend, reduce and restrict access to EU funding in such cases. In this respect, they welcomed the adoption of Regulation 2020/2092 of the European Parliament and of the Council on a general system of conditionality for the protection of the EU budget.

The outbreak of the novel coronavirus (COVID-19) did not require any adjustments to the figures reported in the 2019 Union annual accounts. However, in 2020 and in the years to come, the COVID-19 outbreak will have a significant global impact, as well as having important implications for the EU budget.

As a direct consequence of the COVID-19 outbreak, the Committee on Budgetary Control could not organise or fully carry out all of its planned activities related to the usual controls of the EU institutions' spending, i.e. its fact finding missions, public hearings or workshops and therefore had to rely even more heavily on the work of the Court.

Accounts and legality and regularity of revenue

Parliament welcomed the fact that the Court finds the Union accounts for 2019 to be reliable, and that the Court concluded that revenue was free from material error in 2019. It is concerned that, following the worsening trend of the level of error, for the first time in four years the Court has issued an adverse opinion on the legality and regularity of the expenditure underlying the accounts.

The overall level of errors has remained relatively stable, at 2.7 % in 2019 compared with 2.6 % in 2018.

The reasons given for the adverse opinion are as follows: on Union expenditure it is the conclusion of the Court that the level of errors mainly in reimbursement-based payments is pervasive, and that due to the way the Union budget is composed and evolves over time, high risk expenditure in 2019 represents more than half of the audited spending (53.1 %), in which the material error continues to be present at an estimated rate of 4.9 % (compared to 4.5 % in 2018).

Revenue

The total revenue for 2019 amounted to EUR 163.9 billion. Most of the revenue (88 %) comes from the three categories of own resources: (i) gross national income-based (64 %); (ii) traditional own resources (13 %); and value added tax-based (11 %). Members welcomed the fact that the Commission's work on the EU's financial programming and budget had led to the introduction of a legally binding timetable, new EU-wide revenue streams or "own resources" to pay off the common European borrowing.

The Commission is urged to propose a diversification of its revenue sources to ensure the EU becomes truly independent vis-a-vis Member States’ contributions while significantly increasing the budget for EU programmes.

Budgetary and financial management

In 2019, the commitment appropriations available in the final budget were almost fully used (at a rate of 99.4 %), while the rate of use for payment appropriations was slightly lower (98.5 %). Three amending budgets, adding EUR 0.4 billion to commitment appropriations and EUR 0.3 billion to payment appropriations were adopted.

The Commission is invited to reduce the outstanding commitments (EUR 298.0 billion at the end of 2019) and to avoid new ones, to improve its financial forecasting and, where appropriate, assist countries in identifying eligible projects with European added value to improve the absorption rate. It is also invited to reassess, in the context of the COVID-19 crisis, whether the existing mechanisms to mitigate the risk exposure of the EU budget are sufficient and appropriate.

Parliament encouraged the Commission to continue to improve the reliability and accessibility of performance information, which is a vital tool for judging the success of programmes. It also stressed the benefits of an interoperable and digital system to enable Member State authorities and national parliaments to better oversee how EU money is allocated, managed and distributed.

Payments under different headings are as follows

1a) Competitiveness for growth and jobs: EUR 21.7 billion

Parliament welcomed the fact that for the EU’s Horizon 2020 research programme, there are no indications that performance is at risk, and examples of successful projects are plentiful. The programme provides Union added value through its uniqueness and pan-European character.

Members recommended: (i) further simplifying rules and procedures, (ii) providing practical guidance through training sessions, (iii) improving assistance to SMEs, start-ups and other new applicants, and (iv) addressing the serious problem of geographical imbalance (concentration) that affects the majority of Horizon 2020 funds awarded to beneficiaries in some of the most developed Member States.

1b) Economic, social and territorial cohesion: EUR 53.8 billion

Members regretted that although the Commission and Member States had already revised the initial 2014-2020 targets, just over a third of indicators for the European Regional Development Fund (ERDF) and Cohesion Fund (CF) show timely progress. Before the outbreak of the COVID-19 crisis, most employment and education targets were likely to have been met by 2020 but progress on R&D, poverty and social inclusion lagged behind. They regretted that in this policy area, the Commission’s own performance data indicates that the programmes fall short of initial expectations.

Concerned about serious irregularities and misuse of funds in Member States, Members recommended providing for an EU-wide complaint mechanism to support beneficiaries of funds who face, for example, misconduct by national authorities and pressure from criminal structures, by giving them the possibility to lodge a complaint with the Commission.

2) Natural resources: EUR 59.5 billion

Parliament regretted that a key weakness is that the performance indicators for the 2014-2020 period are not based on a detailed intervention logic for providing CAP financial support. It noted, for example, that direct payments to farmers have reduced farmers' income volatility, but they are not targeted at helping farmers achieve a fair standard of living. It also regretted that CAP measures are found to have an insufficient impact in addressing climate change.

3) Security and citizenship: EUR 3.3 billion

The Commission's reporting does not indicate whether the Asylum, Migration and Integration Fund is progressing well towards its objective, but the information available points to its relevance and Union added value. For integration and legal migration, indicators show its achievements in a positive light.

4) Global Europe: EUR 10.1 billion

The Commission does not provide enough information for a robust performance assessment of two funding instruments, i.e. one for cooperation with developing countries and the other for relations with the Union's southern and eastern neighbours.

Members welcomed that the indicators nevertheless reveal a positive trend for poverty reduction, education, gender equality and human development, and expresses its concern about the worsening trend for consolidating democracy, rule of law and political stability.

5) Administration: EUR 10.4 billion

Administrative expenditure comprises expenditure on human resources, accounting for about 60 % of the total, and on buildings, equipment, energy, communications and information technology.

Parliament noted with satisfaction that the Commission (2014-2019) has reached the target of 40% of women in management positions by the end of its mandate in 2019. It recalled the serious consequences that any budget cuts in administration or staff reductions could have on the future of the European civil service and the implementation of EU policies.