2020 discharge: General budget of the EU - European Commission

2021/2106(DEC) - 04/05/2022 - Text adopted by Parliament, single reading

The European Parliament decided to **grant discharge** to the Commission and the executive agencies in respect of the implementation of the EU general budget for the financial year 2020 and to approve the closure of the EU general budget accounts for the financial year 2020.

In its resolution, adopted by 451 votes to 175 with 17 abstentions, Parliament made the following observations:

Political priorities

The EU budget is a significant instrument for achieving common strategic objectives and represents, on average, 1.1% of the Union's gross national income or 2.4% of Member States' public expenditure and of total public expenditure in the Union. Parliament stressed the importance of the EU budget in achieving the Union's political priorities, as well as its role in helping Member States in unforeseen situations such as the COVID-19 pandemic and its consequences.

Concerned about the **state of the rule** of law in a number of Member States, which is causing serious losses to the EU budget, Members stressed the importance of full and immediate implementation of the rule of law conditionality regulation. The Commission should ensure that all organisations (EU or international) providing external aid respect the rule of law and human rights in the countries receiving such aid.

New initiatives to protect the EU budget have become essential with the entry into force of the NextGenerationEU instrument, which will result in much greater total disbursements from the EU budget in the coming years. Parliament stressed that, in these circumstances, the Commission should ensure that OLAF, the European Court of Auditors and the European Public Prosecutor's Office have sufficient means and staff to investigate possible cases of fraud against the EU budget.

Members deplored the fact that the Commission is still unable to present a list of the main beneficiaries of EU funds under shared management, which is a major obstacle both to assessing the risks associated with EU spending and to the overall transparency of EU spending.

The resolution pointed out that the amount of **outstanding commitments** (RAL) is likely to continue to rise at the end of 2020 and has reached a new record of EUR 303.2 billion. Given the steady annual increase in the RAL, it is considered a priority for the Commission to prepare a detailed action plan to reduce the amount.

The Commission should redouble its efforts to increase the **absorption rate of the European Structural and Investment Funds** (ESI Funds), which is still around 7% lower than in the 2007-2013 MFF. In addition, automated digital reporting, monitoring and auditing systems should include the establishment of a mandatory **single interoperable database** of beneficiaries of funds from all EU programmes.

Members stressed the need to enlarge the areas where the **Early Detection and Exclusion System** (EDES) is used beyond direct management and requested the Commission to use it for all Union funds including funds under shared management.

They called on the Commission to ensure that the preventive measures taken by Member States to avoid **conflicts of interest** are properly assessed.

Parliament reiterated its concern that the Commission only audits the achievement of milestones and targets before paying out funds from the **Recovery and Resilience Facility** (RRF), while leaving it to Member States to ensure that public procurement or state aid rules have been respected.

Special circumstances relating to the COVID-19 pandemic and the NextGenerationEU instrument

Parliament noted that the COVID-19 pandemic has led to a relaxation of the applicable rules aimed at providing additional liquidity as well as exceptional flexibility for COVID-19-related expenditure in the interests of rapid reaction. It is concerned that this increases the risk of non-transparent procedures, abuse and fraud by criminal structures trying to take advantage of the crisis situation.

Members also pointed out that the combined effect of the new NextGenerationEU instrument and the delays in adopting legislation could put great pressure on the administrative capacities of Member States and the Commission, which could again lead to more errors, fewer checks and potential losses for the EU budget.

Budgetary and financial management

Parliament welcomed the Court of Auditors' conclusion that the **EU's accounts for the financial year 2020 are reliable** and that the budget's revenue is **free of material error**. However, it regretted that the Court of Auditors had again issued an unfavourable opinion on the legality and regularity of the budget's expenditure for the financial year 2020, while acknowledging that the level of error at 2.7% in 2020 is at the same level as in the financial year 2019. It reaffirmed the need to redouble efforts in the fight against fraud both at EU and Member State level, in close cooperation with the European Public Prosecutor's Office and OLAF.

Parliament pointed out that the budget for 2020 and amending budgets represented a total volume of **EUR 173.9 billion** in commitments, of which EUR 172.9 billion were actually committed, while the budget and amending budgets represented a volume of EUR 164.1 billion in payments, of which EUR 161.8 billion were actually spent. Taking into account payments of EUR 9.9 billion in assigned revenue and EUR 1.6 billion in carry-overs, payments totalled EUR 172.4 billion.

Members noted with concern that the EU's balance sheet shows total liabilities at the end of 2020 of EUR 313.5 billion, an increase of EUR 62.0 billion, or 24.7%, on the previous year. They are also concerned about the lack of progress in the annual absorption rate of ESIF funds on a cumulative basis, which is still only 55%. In addition, the EU's accounts as at 31 December 2020 showed that the UK owed the EU a net sum of EUR 47.5 billion arising from the obligations set out in the withdrawal agreement.

Revenue

Revenue amounted to **EUR 174.3 billion in 2020**: of this amount, EUR 123 billion (70.6%) corresponded to gross national income-based own resources, EUR 19.9 billion (11.4%) to traditional own resources (TOR), EUR 17.2 billion (9.9%) to value added tax-based own resources, EUR 8.2 billion (4.7%) to contributions and refunds linked to EU agreements and programmes, EUR 3.2 billion (1.8%) to the surplus from the previous year and EUR 2.8 billion (1.6%) to other revenue.

The Commission is invited, among other things, to ensure uniform application of customs controls and to develop a real capacity for analysis and coordination at EU level, to review its approach to the verification of Member States' GNI data for the coming multi-annual cycles, and to take measures to combat fraud in the area of e-commerce and VAT collection.

Multiannual Financial Framework (MFF) headings

(1a) Competitiveness for growth and employment

The sub-heading represents 13.9% or **EUR 24.1 billion** of the EU budget. Of this amount, EUR 13.6 billion (56.4%) is devoted to research, EUR 3.1 billion (12.8%) to education, training, youth and sport, EUR 2.4 billion (10.2%) to transport and energy, EUR 1.6 billion (6.5%) to space programmes and the rest to other actions and programmes. Total planned expenditure amounts to EUR 142 billion, of which EUR 104.6 billion had been paid out by the end of 2020.

Parliament noted with concern that the Court of Auditors estimated the level of error at **3.9%,** mainly due to errors related to ineligible costs, missing key supporting documents or problems with contract notices in tender documents. Staff costs remain the main source of error, particularly for research expenditure. The Commission could further expand its information activities targeting error-prone beneficiaries, such as SMEs.

Members regretted that the level of excellence in research continues to differ significantly from one Member State to another. They noted with concern that women researchers are under-represented in Horizon 2020. They welcomed the Court of Auditors' assessment that the scale and scope of Erasmus+ has created added value and that the simplification of the programme has improved its efficiency.

(1b) Economic, social and territorial cohesion

The sub-heading represents 34.3% or EUR 59.5 billion of the Union's budget. Of this amount, EUR 32.4 billion (54.5%) is spent on the European Regional Development Fund (ERDF), EUR 10.2 billion (17.1%) on the Cohesion Fund (CF), EUR 14.7 billion (24.7%) on the European Social Fund (ESF) and EUR 2.2 billion (3.7%) on other actions.

The Court estimated the level of error to be **3.5%**, which is well above the materiality level. 72% of the errors were due to ineligible projects and costs, and 27% to breaches of internal market rules (in particular non-compliance with state aid rules).

The proportion of contracts awarded to a single bidder is considered particularly alarming: 19 Member States reached or exceeded the 20% threshold and six Member States (Czech Republic, Greece, Hungary, Poland, Romania, Slovenia) reached a level of 39-51%.

Members expressed concern that the number and incidence of errors detected show that the controls in place are not yet sufficiently effective in mitigating the inherent high risk of error in this area.

(2) Natural resources

The heading represents 35%, or **EUR 60.6 billion**, of the EU budget. Of this amount, EUR 41.6 billion (68.7%) is spent on direct payments under the European Agricultural Guarantee Fund (EAGF), EUR 2.6 billion (4.3%) on market-related expenditure under the EAGF, EUR 14.6 billion (24.1%) on the European Agricultural Fund for Rural Development (EAFRD), EUR 0.9 billion (1.4%) on the European Maritime Affairs and Fisheries Fund (EMFF), and the remainder on other areas.

According to the Court of Auditors, direct payments as a whole were **free of material error** and accounted for 69% of expenditure under this heading of the MFF. However, Members were concerned about the errors detected by the Court in the areas of rural development and market measures and in the other areas of expenditure under the heading, which account for 31% of expenditure.

Members regretted that the Commission's inability to collect reliable data on the final beneficiaries of CAP funds leaves many cases unresolved concerning the recovery of funds by Member States.

(3) Security and Citizenship

The heading represents 3.7% or **EUR 6.3 billion** of the EU budget. Of this amount, EUR 2.6 billion (40.5%) is spent on the instrument for Emergency Support with in the Union, EUR 1.6 billion (25.3%) on migration and security, EUR 1.2 billion (18.5%) on decentralised agencies, EUR 0.2 billion (3.7%) on food and feed, EUR 0.2 billion (3.8%) on the Creative Europe programme, and the rest on other policy areas.

Parliament noted that the Court was unable to estimate the error rate; it was concerned that of the 27 transactions examined by the Court, 8 (30%) were affected by errors.

Members regretted that the MEDIA sub-programme had not achieved the expected results for some indicators, particularly in relation to the size of the audience at events. They noted with concern that the Court found marked differences in the implementation of national programmes and that information on the performance of the Border and Visa ISF was incomplete. They welcomed the success of the effective integration and legal migration component of the Asylum, Migration and Integration Fund.

The Commission is called upon to urgently define a gender mainstreaming methodology in order to integrate a gender equality perspective in all policy areas.

(4) Global Europe

The heading represents 6.6%, or **EUR 11.4 billion**, of the EU budget. Of this amount, EUR 3 billion (26.7%) is spent on the Development Cooperation Instrument (DCI), EUR 2.7 billion (23.2%) on the European Neighbourhood Instrument (ENI), EUR 1.9 billion (16.9%) on the Instrument for Pre-Accession Assistance (IPA), EUR 1.9 billion (16.8%) on humanitarian aid and the remainder on other actions and programmes.

Parliament noted that the Court did not audit enough transactions to estimate the level of error for this heading of the MFF; it is concerned that of the 75 transactions audited, 28 (37.3%) were found to have errors.

Members noted with concern that for ‘Global Europe’ the main categories of findings are ineligible costs, costs non-incurred, procurement errors and lack of supporting documents. They also found that most indicators are not on track or progress is unclear.

(5) Administration

Payments under this heading amounted to **EUR 10.3 billion** in 2020, or 6.0% of the MFF. The Commission represents EUR 6.3 billion (60% of the payments under this heading) with expenditure on human resources representing 68% of this amount.

Parliament was pleased to note that the Court considers that expenditure under the heading 'administration' is not affected by a material degree of error.