2021 discharge: General budget of the EU - Commission

2022/2081(DEC) - 10/05/2023 - Text adopted by Parliament, single reading

The European Parliament decided, by 421 votes to 151 with 5 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 2021 and to approve the closure of the accounts of the general budget of the European Union for the financial year 2021.

In its resolution, adopted by 460 votes to 129 with 49 abstentions, Parliament made the following observations:

Reliability of the accounts, legality and regularity of EU expenditure and revenue

Parliament welcomed the Court of Auditors' conclusion that the European Union's accounts for the financial year 2021 are reliable and that the revenue side of the budget is **free from material error**. However, it regretted that the Court of Auditors had given an adverse opinion on the legality and regularity of the **expenditure side** of the EU budget. The overall error rate calculated by the Court is **3.0%,** above the tolerance threshold of 1%, which represents a deterioration compared to 2020, when the error rate was 2.7%, already well above the tolerance threshold.

The Court found that low-risk expenditure was free of material error, while high-risk expenditure still showed a material level of error. Members pointed out that the heading that contributed most to the 3.0% error rate was 'Cohesion, resilience and values' (1.2 percentage points), followed by 'Natural resources and the environment' (0.7 percentage points), 'Neighbourhood and the world' (0.4 percentage points) and 'Single market, innovation and digital' (0.4 percentage points).

Budgetary and financial management

Parliament noted with concern that implementation of commitments in 2021 was very low, at **68% of the total amount available**, and that the late adoption of sectoral regulations during 2021 delayed the launch of new programmes. It noted that the ESI Funds 2014-2020 that have still not been absorbed represent a significant proportion of the outstanding commitments of the EU budget. At the end of 2021, total outstanding commitments reached a record level of **EUR 341.6 billion** (total outstanding commitments of the EU budget and Next Generation EU).

Parliament noted the Court's conclusion that the level of error in revenue is not material. The revenue systems examined were generally effective, but key internal controls relating to traditional own resources (TOR) in some Member States and the management of value added tax (VAT) reserves and outstanding TOR issues at the Commission were only partially effective due to continuing weaknesses.

Political priorities

Respect for EU values and the rule of law

Members remain concerned about the state of the rule of law in several Member States, which is causing serious losses to the EU budget. Reaffirming its firm belief that **Member States must respect democracy and the rule of law** in order to receive EU funds, Parliament called on the Commission to trigger without delay the application of the conditionality mechanism whenever breaches of the rule of law principles

undermine or are likely to undermine in a sufficiently direct way the sound financial management of the EU budget or the protection of the Union's financial interests.

Members welcomed the application of the rule of law conditionality mechanism in the case of Hungary, resulting in the freezing of 55% of the country's cohesion policy programmes. They noted, however, that the facts would have justified freezing all the funds. The Commission should constantly monitor the rule of law situation in Hungary and Poland and maintain the freeze on funding as long as violations of the rule of law threaten the sound financial management of the EU budget.

Protecting the EU budget

Parliament is concerned that the implementation of the **Early Detection and Exclusion System** (EDES) is taking longer than expected. It called on the Commission to work with Parliament to recast the Financial Regulation in order to improve the EDES system. EDES should be used systematically to ensure that companies and beneficial owners who have been convicted of fraud, corruption or other serious economic crimes cannot benefit from EU funds.

Members reaffirmed the imperative need for a **single, mandatory, integrated and interoperable information and monitoring system**, provided by the Commission, allowing for the electronic recording and storage of data on recipients of EU funds, including their **beneficial owners**, and making this information available for data mining and risk rating purposes. This single data-mining tool should have an easy-to-use search function and be made available to OLAF, the European Public Prosecutor and the Commission in order to improve the protection of the EU budget and Next Generation EU against irregularities, fraud and conflicts of interest.

The Commission is also invited to further improve monitoring and reporting on performance of the Union budget with more streamlined and qualitative indicators such as indicators on climate-related spending, on gender mainstreaming and indicators on biodiversity.

Funding of NGOs

Parliament stressed the importance of **ensuring transparency in the operation of NGOs** and intermediaries as regards their funding and ownership, given that they are important players in the implementation of the EU budget, whatever the management method, particularly in the field of external action. It called on the Commission to (i) ensure that **European funds only finance organisations that strictly respect all EU values**; (ii) define mechanisms to identify with certainty, in advance, NGOs active on EU territory and abroad that have proven links with religious fundamentalist networks and that promote an agenda contrary to EU values.

In this context, Parliament called for the creation of a **public blacklist of NGOs** that engage in hate speech, incitement to terrorism, religious extremism that supports or condones violence, or that have misappropriated or abused EU funds. This blacklist would make it possible to block the access of these NGOs to EU institutions and EU funding programmes.

The Commission is invited to present a **proposal for a regulation on NGOs** containing a precise definition and a categorisation of NGOs by field of activity and by size. This text should provide a clear overall framework governing the conditions under which NGOs may receive EU funding.

External consultants

Parliament called on the Commission to further develop its framework governing the use of external consultants, to make better use of the results of services provided by external consultants, to increase monitoring to limit the risks arising from the use of external consultants and to improve its reporting on

the use of external consultants, providing accurate and comprehensive data on the volume and types of services acquired.

Recovery and Resilience Facility (RRF)

Members recalled that the RRF is a temporary performance-based recovery instrument, i.e. payments are linked to the successful achievement of a series of milestones and targets related to the reforms and investments foreseen in the national RRPs. The Commission has approved **22 national RRPs** in 2021, committing EUR 154 billion in loans and EUR 291 billion in grants.

Members welcomed the RRF's early contribution to preventing a severe economic downturn following the COVID-19 pandemic and believe it can continue to do so. They welcomed the Court's conclusion that the Commission's assessment of the national RRPs was broadly satisfactory, given the complexity of the process and time constraints, although a number of weaknesses in the process and risks to the successful implementation of the RRF were also identified.

Since the RRF was set up under time pressure, the control requirements are less stringent than those for other EU programmes and depend more on the national authorities, which in some cases are too error-prone and unreliable.

The Commission has residual responsibility for ensuring that **effective and efficient internal control systems** are in place to ensure compliance with all national and EU rules, including public procurement and state aid rules, and rules in place to prevent and detect fraud, corruption, conflicts of interest and double-funding, and for taking action where Member States fail to fulfil their obligations under the RRF Regulation.

The RRF Regulation states that the specific objective of the RRF is to provide financial support to Member States to achieve the reform and investment milestones and targets set out in their RRPs. However, Members are concerned about early indications that it cannot be ruled out that funds from the RRF will be **used to replace national spending** in a number of Member States. They are also concerned about the Court's observation that some of the milestones and targets lack clarity.

Parliament has noted the Commission's successful efforts to raise funds on the financial markets to provide the financial means for the implementation of the RRF. However, Members are concerned about the rise in interest rates and the resulting uncertainty about the ability to repay loans, as well as the risk this poses to the EU's budget and policies. They called on the Commission to mitigate this risk and to keep Parliament fully informed of the annual status of these loans.

COVID-19 related support

Parliament regretted that the Commission has still not produced a comprehensive report on COVID-19-related expenditure under the Union budget. It also deplored that the Commission has still not provided, in a transparent manner, information on the negotiations that took place with vaccine manufacturers, hence leaving room for suspicion. It welcomed the decision of the European Ombudsman to ask the President of the Commission for clear and concrete information on the negotiations that took place with vaccine manufacturers, and for greater transparency in respect of the contracts concluded.