2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 18/04/2018 - Text adopted by Parliament, single reading

The European Parliament decided by 426 votes to 255, with 12 abstentions, to grant the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, and also to 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 2016.

Budget, programming periods and political priorities: Parliament called for the alignment of the Union's policy objectives and financial cycles, the legislative period of the Parliament and the mandate of the Commission. It stressed that the Unions budget must be results-based. In the light of the post-2020 MFF, the Union budget should be a true European added value budget, aimed at achieving common Union objectives of promoting sustainable economic and social development of the whole Union.

Members emphasised the need to establish an independent body with sufficient budgetary resources to support whistleblowers wishing to disclose information on possible irregularities negatively impacting on the Unions financial interests, while ensuring their confidentiality is protected.

The main priorities should among other things be to:

- review the young farmers and greening schemes in light of the Court of Auditors conclusions;
- provide the Parliament and the Court with more balanced reporting, by including in its performance reports more transparent information on challenges, pitfalls and failures;
- fulfil the original 20% spending target in integrating climate action into the various Union spending programmes
- speed up the delivery of cohesion policy programmes and related payments;
- improve the transparency of migration policy financing and to actively monitor public procurement procedures when they are held in emergency situations

Parliament was concerned that the Commission uses two sets of objectives and indicators to measure the performance of its services and of spending programmes. It regretted the virtual non-existence of usable and efficient impact and outcome indicators to measure, and to distribute information about, the performance of Union expenditure.

Budgetary and financial management: Members pointed out that the delays in the implementation of programmes in the first three years of the current MFF due to the late adoption of the 2014-2020 MFF and the considerable novelties introduced for the 2014-2020 period which caused administrative difficulties despite efforts at simplification, led to the transfer of commitment appropriations from 2014, mainly to 2015 and 2016, and to low payments in 2016 (and implementation of the Union budget at 7% in 2014-2016 period of the current MFF).

2017 was, however, the first year when the implementation of ESIF programmes accelerated. They expect this trend to continue in 2018 and 2019. Sufficient levels of payment and appropriations for commitments should be provided in order for implementation to proceed smoothly.

Members regretted the lack of unity of the Union budget, and fully shared the Courts concern as regards the complexity of the Union budget. They feared that despite the extensive use of special instruments (the Emergency Aid reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the Flexibility Instrument) and margins, the amounts left may not be sufficient to fund unexpected events that may still occur before 2020.

There is a record level of outstanding commitments which reached by the end of 2016 an all-time high of EUR 238 billion, 72 % higher than in 2007 and equivalent to 2.9 years of payments compared to 2.2 years in 2007. This has increased the amounts owed by the Union and thus the financial exposure of the Union budget. They fear, however, that a backlog of payments may develop towards the end of the current MFF and in the first few years of the next MFF. Parliament called on the Commission to take into account the growth in outstanding commitments in its forecast of payment appropriations for the next MFF.

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

- Accounts and legality and regularity of revenue: Members welcomed the fact that the Court has given a clean opinion on the reliability of the accounts for 2016 and that the revenue was free from material error in 2016. The commitments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects.

- Legality and regularity of payments: Members noted with satisfaction that for the first time in 23 years, the Court has issued a qualified (rather than an adverse) opinion on the legality and regularity of the payments underlying the accounts, which means that in the Courts view, there has been an important improvement in the management of Union finances.

Members welcomed the reduced error rate in regard to payments according to the Court of Auditors report, the error rate of 3.1% was the lowest in the last ten years. However, they regretted that, for the 23rd year in a row, payments are materially affected by error because of the fact that the management and control systems are only partially effective at ensuring sound financial management and timely payment.

II. Budgetary implementation by policy area measures to be taken: Parliament examined budgetary implementation and made the following observations:

- Competitiveness for growth and jobs: the error rate of 4.1% estimated by the Court is composed of 44% of ineligible direct personnel costs, 12% of ineligible other direct costs, 16% of indirect costs and 16% of ineligible projects or beneficiaries. Members called on DG R&I to follow up the recommendations of the Internal Audit Service (IAS) which found weaknesses in ensuring a consistent project monitoring approach across the Horizon 2020 implementing bodies.

Highlighting that 14,39% of the budget was implemented via financial instruments, Members called on DG R&I to report to Parliaments competent committee on its supervision strategy for financial instruments.

- Economic, social and territorial cohesion: Parliament pointed out that the errors in cohesion contributed to 43 % of the overall estimated level of error of 3,1 %; 42 % of the errors were caused by ineligible costs included in expenditure declarations, 30% relate to serious failure to respect public procurement rules, and 28 % relate to ineligible projects, activities or beneficiaries.

In the context of the post-2020 financial period, Parliament calls on the Member States and the Commission to:

- create EU added-value with cohesion policy;
- build stronger coordination between cohesion, economic governance and the European semester;
- devise a system which allows concentration of cohesion funding on regions which need it most;
- draft a single set of rules for structural funds and implement the single audit principle;
- implement programmes and projects more rapidly;
- take into account the need for greater simplification;
- ensure geographic and social balance so that investments are made where they are most needed.

- Natural resources: the level of error for the natural resources chapter as a whole is 2.5% (compared with 2.9% in 2015 and 3.6% in 2014). Members expressed their concern with the fact that, according to the Court of Auditors, greening is unlikely to provide significant benefits for the environment and the climate and the fact that support for young farmers is not based on a sound needs assessment and is not even always provided to young farmers in need.

Parliament invites the Commission to:

- define a new key performance objective for the next MFF, accompanied with outcome and impact indicators, aiming at mitigating the income inequalities between farmers;
- prepare and develop, for the next CAP reform, a complete intervention logic for Union environmental and climate-related action regarding agriculture.

- Europe in the world: expenditures presenting an estimated material level of error of 2.1% (compared with 2.8% in 2015 and 2.7% in 2014). While they welcomed the positive trend of the falling rate of error in this area of activity, Members remain concerned by the fact that weaknesses were detected in the indirect management of the second instrument of pre-accession assistance (IPA II), more specifically, at the audit authorities of three IPA II beneficiary countries - Albania, Turkey and Serbia.

Parliament considers it essential to be able to suspend pre-accession funding where pre-accession countries violate human rights and stressed that trust funds should be established only when their use is justified.

On migration, Members suggested consideration be given to defining a key performance indicator related to the elimination of the underlying causes of irregular migration. They also called on the Commission to:

- regroup the budget lines financing migration policy under a single heading with a view to enhancing transparency;
- define specific strategies with EU support teams to ensure the safety of women and accompanied minors at hotspots;
- take the necessary measures to provide adequate reception facilities in Greece and Italy;
- provide an estimated cost paid per migrant or applicant for asylum country by country;
- step up the checks carried out on funds for refugees.

- Administration: Parliament noted that the institutions collectively cut the number of posts in the establishment plan by 4% over the period from 2013 to 2017 and the number of staff by 1.4% over the same period. Members stressed the importance of having a strong European civil service, able to respond to the challenges faced by the Union and of providing this service with all the necessary legal and budgetary resources.

Lastly, Parliament welcomed the fact that the Commission responded to its call to review the code of conduct for Commissioners by the end of 2017, including by defining what constitutes a conflict of interest as well as introducing criteria for assessing the compatibility of post-office employment and extending the cooling off period to three years for the President of the Commission.