

**RESOLUTION (EU) 2020/1969 OF THE EUROPEAN PARLIAMENT****of 14 May 2020****with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2018, Section III — Commission and executive agencies**

THE EUROPEAN PARLIAMENT,

- having regard to its decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2018, Section III — Commission,
  - having regard to its decisions on discharge in respect of the implementation of the budgets of the executive agencies for the financial year 2018,
  - having regard to Rule 99 of and Annex V to its Rules of Procedure,
  - having regard to the opinions of the Committee on Foreign Affairs; the Committee on Development; the Committee on Employment and Social Affairs; the Committee on the Environment, Public Health and Food Safety; the Committee on Transport and Tourism; the Committee on Regional Development; the Committee on Agriculture and Rural Development; the Committee on Culture and Education; the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,
  - having regard to the report of the Committee on Budgetary Control (A9-0069/2020),
- A. whereas Union spending is a significant instrument for achieving policy objectives and on average represents 1,9 % of Member States' general government expenditure;
- B. whereas when Parliament grants discharge to the Commission it checks whether or not funds have been used correctly and policy goals have been achieved;

**Political priorities**

1. Highlights that whenever the Commission in cooperation with the Member States implements the Union's budget, and whatever method of implementation is used — shared, direct or indirect management — respect for the rule of law is one of the most essential precondition for complying with the principles of sound financial management, which is enshrined in Article 317 of the Treaty on the Functioning of the European Union (TFEU); stresses that all actors should strive to use the funds in the most transparent, effective and efficient manner; is concerned about the financial loss caused by generalised deficiencies as regards the rule of law in a number of Member States and upholds that the Union should be able to impose appropriate measures that include suspending, reducing and restricting access to Union funding in such cases; welcomes therefore the proposal for a regulation on the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in Member States and calls to adopt this proposal with priority;
2. Stresses that, in the context of scarce financial resources in the Union budget which should support the increasing priorities and responsibilities of the Union, the protection of the Union financial interests is of utmost importance and that the strongest efforts are necessary at all levels in order to prevent, and to fight against, fraud, corruption and misuse of Union funds; underlines that the creation of the European Public Prosecutor's Office (EPPO) marks a fundamental development in the protection of the Union's financial interests; criticises the underfinancing and understaffing of the EPPO during the build-up-phase and the underestimation of its needs by the Commission; emphasises that EPPO has to process up to 3 000 cases per year; emphasises that EPPO is in need of at least 76 additional posts and EUR 8 million if it is to become fully operational, as foreseen, by the end of 2020; strongly encourages the Commission to present a draft amending budget; repeats that the Parliament absolutely opposes the reduction, by 45 posts, of the staff of European Anti-Fraud Office (OLAF);
3. Recalls that Article 61 of the Financial Regulation, which entered into force on 2 August 2018, has enlarged the definition of conflicts of interests; calls on the Commission, as 'Guardian of the Treaties', to fight all forms of conflict of interests and to evaluate on a regular basis the preventive measures taken by the Member States to avoid them; calls on the Commission to propose common guidelines for the avoidance of conflicts of interest affecting high-profile politicians; urges the Council to adopt common ethical standards on all issues related to conflicts of interest and to create a common understanding in all Member States; underlines that, given the widespread problems of conflict of interests in the distribution of Union's agricultural funds, it is undesirable that members of the European Council, agricultural ministers, functionaries, or their family members should be taking decisions on income support;

4. Welcomes the intention of the Court of Auditors (the 'Court') to move towards an attestation methodology by which the Court gathers sufficient and appropriate evidence to reach a conclusion on the assurance expressed by the responsible entity; recalls the finding of the Court that the quality and reliability of national authorities needs to be quickly improved and that attestation methodology should take account of these facts; recommends that the Court complements its random checks with a risk-based approach so that its reports on error rates pay more attention to areas where problems are most likely to arise;
5. Calls on the Commission, therefore, 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; calls on the Commission to ensure that a transparent methodology and consistent terminology is used and to streamline its reporting, in particular, with regard to error rates in order to avoid confusion and non-transparency;
6. Notes that measuring the achievement of Union priorities, policies and programmes is challenging; notes, however, that effective performance monitoring is essential in order to grasp the situation, identify emerging issues, and take corrective actions when the objectives are not met or in cases where the outcomes of one Union policy could have an adverse impact on achieving the set goals of another policy;
7. Calls on the Commission to:
  - improve the alignment between high-level general objectives, specific policy objectives and programmes;
  - define stronger key performance indicators (KPIs) that reflect the impact and the achievements of Union spending programmes and policies rather than the performance of the authorities implementing them;
  - use up-to date information on performance so that objectives and indicators can be adapted in a timely manner;
  - put more emphasis on the results and added value of Union funding, going beyond mere outputs;
8. Welcomes the intention expressed by the Court to provide the discharge authorities with an assessment covering both compliance and performance dimensions, for each Union policy, following the chapter-by-chapter budget headings in its annual report;
9. Encourages the Commission and the Court to accelerate the discharge process to n+1;
10. Reaffirms the clear need for more cooperation between customs services in the Member States to avoid harm to Union and national budgets; in particular as regards VAT losses, e-commerce and counterfeit products;
11. Urges the Commission to review, together with the Member States, how customs duties can be more effectively collected and any amounts the payment of which was avoided fraudulently can be recovered; as well as to consider the improvements that can be made in the recovery of custom revenues;
12. Is concerned about the risk of undervaluation of supplies of e-commerce goods from third countries and calls on the Commission to carry out sufficient control and monitoring activities in the Member States to ensure better cooperation;
13. Notes that the European Innovation Scoreboard revealed a positive trend in the majority of Member States in recent years;
14. Calls on the Commission to pay greater attention to the geographic distribution of research funds with a view to contributing to the spreading of research at the highest level of excellence in the whole of the Union and to the creation of a level playing field for growth and jobs; suggests that greater use should be made of structural funds to promote innovation and excellence; stresses that the Framework Programmes must finance all stages of research and innovation; points out that although fundamental research projects often deliver tangible results only over a longer time span, they are indispensable for ensuring the Union's excellence in research and innovation as well as in attracting the best scientists; notes with concern that the protection of Union's financial interest is put at risk by some third countries participating in joint research projects;

15. Reiterates its concern over the high level of outstanding commitments mainly due to the late start to the financing of the projects and programmes of the 2014-2020 financial perspective and due to the slow implementation of European Structural and Investment Funds (ESI Funds); calls on the respective Member States to speed up the delivery of cohesion policy programmes and related payments, without easing the necessary controls, as well as to increase the transparency for applicants and to reduce complexity with a view to reducing the length of the implementation period; encourages the Commission to propose a return to the n+2-rule; calls on the Commission to closely monitor the implementation by Member States in the case of under-implementation and low absorption rates;
16. Draws attention to the crucial importance of the cohesion policy and ESI Funds in reducing disparities between Member States and regions, in promoting economic growth and employment, in combating poverty and social exclusion, and thus in improving the daily life of European citizens;
17. Invites the Commission to increase the technical support (training sessions, communication, etc.) with national, regional or local authorities in order to get better absorption rates;
18. Notes that, in accordance with Union law, the beneficiaries entitled to the common agricultural policy (CAP) direct payments are those who farm the land; calls on the Commission to ensure that rules are adopted with a view to avoiding a situation in which Union subsidies are distributed to recipients who have acquired the land in question by illegal or fraudulent means, as has been observed in some Member States; taking into consideration cases such as those reported by OLAF in Slovakia and Italy, underlines that the Commission should come up with proposals clearly indicating that lease or ownership contracts of land are based on the rule of law and that national legislation regarding workers' rights, including rights concerning the incomes of farm workers, are followed; asks the Commission in cooperation with national agencies to come up with a standardised and publicly accessible format (respecting the relevant decision of the Court of Justice) for disclosing the end beneficiaries of the CAP;
19. Is deeply concerned by recent investigations by the Italian authorities revealing fraud worth EUR 5,5 million and several mafia structures misusing Union agricultural subsidies for their criminal purposes, threatening honest farmers who participate in auctions of state-owned land and ignoring national labour law; believes that the Union's financial interests and taxpayers' money across the Union risk being undermined by organised crime and calls the Commission to take the necessary measures to prevent criminal networks from obtaining Union money; underlines the needs for better exchange of information at national level, as well as between the national and Union levels, in order to quickly identify criminal organisations that are seeking to make illegal profits; calls on the Commission to reinforce the control systems in order to avoid that such a situation repeats itself; calls the Commission to keep the discharge authority informed about any new developments;
20. Calls on the Commission to promote a better gender balance and gender budgeting approach in the allocated funds;
21. Encourages the Commission to pursue the digitalisation of its services;
22. Calls on the Commission to pursue the administrative simplification in order to attract small structures such as SMEs to participate in the Union programmes and public procurements;
23. Insists that the Commission propose a specific complaint mechanism at Union level to support farmers or beneficiaries confronted, for example, with land-grabbing malpractices, misconduct of national authorities, pressure from criminal structures or organised crime, or persons who are subject to forced or slave labour, giving them the opportunity to swiftly lodge a complaint with the Commission, which the Commission should check as a matter of urgency;
24. Notes with regret the concentration of the majority of CAP direct payments in the hands of few recipients in some Member States; strongly disapproves of the creation and establishment of oligarch structures in some Member States; is deeply concerned that members of these oligarch structures draw on Union funds particularly in the area of agriculture and cohesion to strengthen their position of power; is of the opinion that Union funds should benefit the majority of Union citizens instead;
25. Is deeply worried by recent reports about agricultural funds allegedly benefitting oligarchic structures; reiterates that this represents a severe injustice towards Union tax payers and particularly towards small farmers and rural communities; calls 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;

26. Notes the transparency requirements for cohesion policy and CAP, which oblige the responsible authorities of the Member States, under the rules of shared management, to maintain a publicly available list of final beneficiaries; calls on Member States to publish such data in a uniform manner and ensure the interoperability of the information; calls on the Commission to collect and aggregate the data and publish lists of the largest 50 beneficiaries from each fund in each Member State as well as the 50 largest beneficiaries of CAP and Cohesion (natural and legal persons) across all Member States to receive a precise overview of the distribution of Union subsidies;
27. Calls on the Commission in full acceptance of the principle of shared management to:
  - establish 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; emphasises that information on final beneficiaries should include specification on the beneficial owners of companies (natural and legal persons);
  - propose a regulation for the establishment of an IT system that allows for uniform and standardised reporting in real-time by the Member States' authorities ensuring interoperability with the systems in the Member States, to guarantee better transparency and cooperation between Commission and Member States and to improve further accountability of the payments, and particularly to contribute to an earlier detection of systemic errors and misuse;
  - assist Member States in adapting or developing Member States' IT systems to a new reporting system;
  - monitor the quality and the completeness of the data provided by the Member States;
  - ensure more effectiveness, timeliness and less bureaucratic burden with the help of modern digitalised systems;
28. Acknowledges that the creation and establishment of such an IT system will take time to be realised; fully acknowledges that the provision of information on beneficiaries under shared management is the responsibility of the Member States; at the same time asks for a quicker, more transparent exchange of information and data related to Union-subsidies in the area of Cohesion and CAP; calls on the Commission to provide the discharge authority with a list of the 50 largest individual recipients (natural persons as beneficial owners of a company or of several companies) per Member State as well as a list of the 50 largest recipients (natural persons and legal persons as well as natural persons as owners of several companies) of Union-subsidies aggregated across all Member States; asks the Commission to provide this information to the discharge authority on an annual basis;
29. Calls on the Commission to evaluate the CAP proposals currently on the table and propose amendments to bring the future regime in line with the European Green Deal;
30. Calls on the Commission to take on board, in its proposals on the MFF and the European Green Deal, the critical conclusions of the Court as to the lack of efficiency and effectiveness of the greening of the CAP regime;
31. Is particularly concerned by the alarming information provided by the press and NGOs as to the dramatic situation of the most vulnerable migrants in the hotspots, in particular, child migrants and refugee women; calls on the Commission to take specific measures in cooperation with the Member States' authorities in order to prevent the misuse of Union funds and avoid abuse and trafficking, and to ensure that Union funds are used to protect fundamental rights;
32. Highlights that the increasing use of financial instruments and trust funds to deliver Union policies in third countries, alongside the Union budget, risks undermining the level of accountability and transparency of Union action; insists that the Commission ensure that the delivery of external aid is subject to the rule of law and respect for human rights in recipient countries; stresses, in particular, the need to guarantee that no Union funds support any form of forced or child labour; is concerned about recent press reports from projects in Eritrea containing allegations; urges the Commission to quickly follow up on those allegations and report back to the discharge authority in a timely manner;
33. Welcomes the outstanding work done by the Court whose work and special reports are an essential tool to the European transparency and good governance; notes all the recommendations done by the Court in the 2018 special reports and calls on the European institutions to implement them quickly;

*The Court's statement of assurance*

34. Welcomes the fact that the Court finds the accounts for 2018 to be reliable, as it has done since 2007, and that the Court concluded that revenue was free from material error in 2018;
35. Notes with satisfaction that the commitments underlying the accounts for the year ended 31 December 2018 are legal and regular in all material respects;
36. Welcomes the positive trend of the most likely error rate for payments issued by the Court compared to that of recent years since the payments are affected in 2018 by a most likely error rate of 2,6 % <sup>(1)</sup>;
37. Notes that in 26 years the Court has, on three consecutive occasions, issued a qualified (rather than an adverse) opinion on the legality and regularity of the payments underlying the accounts which means that in the Court's view material error was confined mainly to reimbursement-based expenditure representing around half of the audited population;
38. Regrets that for the 26th year in a row payments are materially affected by error because the supervisory and control systems are only partially effective; stresses the fact that Member States had sufficient information available to prevent, detect and correct a significant proportion of errors prior to declaring the expenditure to the Commission and that had this information been used the estimated error rate would have been considerably lower; calls on the Commission to put in place the necessary instruments to further improve error detection by Member States' authorities;
39. Notes that where payments are made on the basis of cost reimbursements, the Court estimates the rate of error at 4,5 % (compared to 3,7 % in 2017 and 4,8 % in 2016) whilst the rate of error of entitlement payments <sup>(2)</sup> was below the materiality threshold of 2 % excluding some rural development schemes; regrets that the error rate is not clearly quantified for the entitlement payments;
40. Points out that the Court found the highest estimated level of error in spending under 'economic, social and territorial cohesion' (5,0 %), while the lowest material error rate in spending on 'competitiveness for growth and jobs' was at the materiality threshold (2,0 %);
41. Points out that the Court considers that research expenditure remains a higher risk area and the main source of error under the heading 'Competitiveness';
42. Notes that the Court provided in 2018 specific error rates for four MFF headings: 'Competitiveness', 'Cohesion', 'Natural resources' and 'Administrative expenditure';
43. Points out that, for 2018, the Court presented an error rate per policy area but did not estimate levels of error for areas of expenditure under MFF headings 3 Security and citizenship and 4 Global Europe; asks the Court to consider whether the audit of a representative sample size from under these two headings could be helpful for the evaluation of financial transactions; notes, further, that the Court did not issue specific error rates regarding rural development and market operations in CAP, neither did it issue individual error rates for the European Social Fund (ESF), the European Regional and Development (ERDF) fund and the Cohesion Fund (CF); suggests that the Court consider revising its sampling strategy in order to ensure better comparability from one year to another;
44. Regrets that the Court did not estimate levels of error for areas of expenditure, under MFF headings 3 Security and citizenship and 4 Global Europe; considers that, although the figures under these headings are relatively low, they are of particular political importance; stresses that the audit of a representative sample size from under these two headings is essential for a rigorous and independent evaluation of financial transactions, as well as for better oversight on the use of Union funds by the Parliament, and calls on the Court to provide data on the error rate for payments under these headings in its next annual reports;

<sup>(1)</sup> The most likely error rate for payments was estimated in the financial year 2017 at 2,4 %, 2016 at 3,1 %; 2015 at 3,8 %, 2014 at 4,4 %, 2013 at 4,7 %, 2012 at 4,8 %, in 2011 at 3,9 %; 2010 at 3,7 %, 2009 at 3,3 %; 2008 at 5,2 %, and in the financial year 2007 at 6,9 %.

<sup>(2)</sup> The payments concerned include student and research fellowships (MFF 1a — chapter 5), direct aid for farmers (MFF 2 — chapter 7) and budget support to third countries (MFF 4 — chapter 9). Administrative payments mainly consist of the salaries and pensions of EU civil servants (MFF 5 — chapter 10). Overall, entitlement-based expenditure represents around 53 % of our audit population.

45. Notes that the Court audited transactions worth a total of EUR 120,6 billion and that 'Natural resources' makes up the largest share of the overall population (48 %), while the weight of MFF 1b 'Cohesion' is relatively small (around 20 %); notes the distribution of the audited population, considering the very high error rate for Cohesion; suggests the Court to consider both the share of the total Union expenditure and error related risk when deciding on the division of the next audit share of the overall population;
46. Is surprised that the Court decided that natural resources should make up the largest share of the Court's overall audit population for its annual financial and compliance audit examination whilst the CAP direct payments are not prone to errors; notes, however, that in the area of direct payments several cases of conflict of interests, organised crime and corruption have been made public and been followed by audits of the Commission; calls more adequate measure to be taken by the Commission and the Member States to prevent and resolve cases which put at risk the CAP;
47. Points out that the Court audit population for cohesion differed from previous years and consisted of final payments for the period 2007 to 2013 and expenditure covered by accounts accepted on an annual basis by the Commission for the period 2014 to 2020; suggests that this means that the Court tested transactions for which all relevant corrective actions had been implemented at Member State level; regrets that despite this audit approach the error rate was quantified in a very high level of 5 %;
48. Points out that, as in previous years, eligibility errors (namely, ineligible costs in costs claims and ineligible projects, activities or beneficiaries) contribute most to the 2018 estimated level of error for high-risk expenditure;
49. Points out, however, that the impact of eligibility errors was less important than in 2017 (2018: 68 %, 2017: 93 %); regrets that in 2018 the Court found a higher number of errors in relation to public procurement, state aid rules and grant award procedures; calls on the Commission to pay close attention to these categories of errors and assess whether they present a risk to the free competition or even point to possible cases of corruption; in the latter case, the Commission should not hesitate to take corrective measures and inform EPPO;
50. Calls on the Commission to streamline and simplify the strategic frameworks governing the implementation of the Union budget, thereby reinforcing accountability for results and increasing clarity and transparency for all stakeholders;

### **Annual management and performance report: management achievements**

#### *Reliability of the data communicated by the Commission*

51. Regrets the fact that the Court has not audited the Annual Management and Performance Report (AMPR); points out, however, that the Court examined some annual activity reports (AARs), and, in particular, those of DG AGRI, DG DEVCO, DG ECHO, DG NEAR, DG EMPL and DG REGIO;
52. Points out that in the chapter related to the synthesis of the financial management of the AMPR, the Commission reports on an estimated risk at payment of 1,7 %, and confirms that 'the risk at payment is closest to the Court most likely error rate' (p. 152 of the AMPR 2018 <sup>(3)</sup>);
53. Notes that the Commission insisted in 2018 that progress was mainly due to the good score of the cohesion family at 1,1 % <sup>(4)</sup>; notes with surprise that for the same calendar year 2017, DG REGIO refers in its 2018 AAR (p. 70) to another error rate at 1,95 %;
54. Points out that the director-general of DG EMPL explains in his 2018 AAR on p. 83, that:

— 'in the 2017 AARs, the directors general of DG REGIO and EMPL decided to estimate the risk by projecting a provisional residual total error rate for 2017 calendar year expenditure, which they had not yet accepted and confirmed';

<sup>(3)</sup> COM(2019) 299.

<sup>(4)</sup> AMPR 2017 p. 77. Compared to 2016, the main change is the significant decrease in Cohesion, Migration and Fisheries. In this policy area, the current 2014-2020 programmes are coming up to speed, which have an inherent lower risk given the newly introduced annual clearance of accounts and the 10 % retention mechanism on interim payments until all controls and corrective measures are implemented.

- ‘the ECA is of the opinion that the AARs should be further streamlined and adapted to the new control and assurance framework. This framework means that it takes almost two years from the end of the relevant accounting period before the Commission can first report its conclusion on the reliability of audit authorities’ residual error rates for a given accounting year’;
55. Requests the Commission to make sure that the AMPR is fully reliable and not based on projections;
  56. Notes that, in external relations, DG NEAR and DG DEVCO use in their AARs residual error rates (RER) that are the products of RER studies made by external companies;
  57. Points out that the RER is calculated on transactions from closed contracts only between 1 September 2017 to 31 August 2018 (Box 9.5 of the Court’s annual report for 2018) for which all controls and checks have been applied;
  58. Stresses that the RER of DG DEVCO and DG NEAR do not only concern payments made in 2018;
  59. Recalls that for the Asylum, Migration and Integration Fund/ Internal Security Fund (AMIF/ISF), DG HOME pointed out in 2018 that it ‘only reports the residual error rate since, as foreseen by the legal basis, the national audit authorities do not have to report to DG HOME the detected error rates’ (see reply to Question No 14, hearing Avramopoulos 18 October 2018); consequently, notes that the error rate reported is the residual one, meaning that the estimated error rate minus any amounts corresponding to any corrective actions taken that have already effectively reduced the exposure<sup>(5)</sup>;
  60. Shares the view expressed by the Court (at point 6.74 of the Court’s annual report for 2018) that in the AMPR, the Commission presents an estimated risk at payment for ‘Economic, social and territorial cohesion that relates to expenditure which has not yet gone through the full control cycle’; Regrets to see that this means that the Commission is evaluating the error rate for Cohesion on the basis of pure estimations compared to the accounting year 2017-2018 and not on real figures that are verified for the financial year 2018 itself;
  61. Stresses that, for this reason, the Court noted that the data provided by the Commission in its AMPR regarding social and territorial cohesion are not reliable (point 6.74 of the Court’s annual report for 2018);
  62. Furthermore, stresses that since the error rates issued by the Commission in cohesion, external relations and some of the internal policy areas are based on residual risk, it is not justified to compare the risk at payment reported by the Commission in its AMPR to the Court estimated level of error;
  63. Points out that if the risk at payment communicated by the Commission already integrates financial corrections the corrective capacity of the Union may be overestimated; regrets to see that this may have an impact on the reliability;
  64. Regrets that the errors found reflect persistent shortcomings in the regularity of the expenditure declared by the managing authorities and that the Court identified weaknesses in the sampling methodologies of the audit authorities;
  65. Is of the opinion that if the Authorising officers by delegation, when disclosing the specific areas of their expenditure for which they issue a reservation refer to the materiality threshold of 2 % expressed as a RER, they finally run the risk of not adequately protecting the Union budget;
  66. Regrets the fact that individual DGs’ estimates of the level of irregular spending are not based on a consistent methodology;
  67. Points out that the AARs of the DGs and the AMPR use a complex and incoherent terminology that makes it difficult to compare reported results across DGs and over time;
  68. Notes, in particular, that ‘the ECA is of the opinion that the Commission presents in the AARs of DG REGIO and EMPL at least 13 different rates for the two programming periods as a measure of the expenditure at risk. Such a large number of rates would lead to a lack of clarity and potential confusion as to their relevance and the assurance provided’ (DG EMPL AAR 2018, p. 83);

<sup>(5)</sup> See also reply to written question 1 asked in view of the hearing of Commissioner Avramopoulos of 11 November 2019.

69. Notes that instead of referring as in 2017 to the notion of RER, the Commission uses, in its AMPR for 2018, the terms 'error rate at closure'; notes that this is the risk at payment minus the estimated future corrections and recoveries that managers of Union funds expect to make in respect of 2018 expenditure during the following years of current programmes; points out that this error rate is only an estimate;
70. Notes that according to the AMPR for the Union budget in 2018 30 (idem in 2017) authorising officers by delegation declared unqualified assurance, while 20 (idem in 2017) declarations were qualified with 40 (38 in 2017 and 37 in 2016) reservations for 2018;
71. Points out that 40 reservations were issued by the Commission for 2018: 2 reservations were new and 38 were recurrent; notes that five recurrent reservations have been updated, from quantified to unquantified (or vice versa) or for a change of scope and that for all reservations, the impact on 2018 expenditure was calculated or recalculated; notes therefore that the amount at risk at reporting for the 2018 expenditure under reservations is estimated at EUR 1 078 million (compared to EUR 1 053 million in 2017, EUR 1 621 million in 2016 and EUR 1 324 million in 2015);
72. Regrets that despite improvements to the methodology of its analysis of the impact of corrective action the Commission has not eliminated the risk that the impact of corrective actions is overstated; points out that in such a case all reported RER in AMPR are unreliable;
73. Points out, in particular, that, for more than three quarters of 2018 expenditure, Commission directorates general base their estimates of the amounts at risk on data provided by national authorities, whilst it appears from the AARs of the Commission directorates general concerned (DG AGRI, DG REGIO and DG EMPL) that the quality and reliability of several Member States' controls remains a challenge;
74. Repeats its request that the Commission and the Member States put in place sound procedures to confirm the timing, origin and amount of corrective measures and to provide information reconciling, as far as possible, the year in which payments is made, the year in which the related error is detected and the year in which recoveries or financial corrections are disclosed in the notes to the accounts;
75. Notes that in total in 208 cases OLAF gave recommendations between 2012 and 2018 where no decision was taken by the national authorities<sup>(6)</sup>; points out that in certain Member States it is even the majority of the cases in which OLAF recommendations are not followed by any actions by the Member State authorities, which might result in the direct damage to the Union's and citizens' financial interests;
76. Notes with concern the nine cases of suspected fraud that were communicated to the OLAF by the Court in 2018;
77. Calls on the Commission to simplify and harmonise the practices and methods of the DGs in order to be able to fully respect the requirements of Article 247 of the Financial Regulation and, in particular, paragraph 1b thereof which stipulates that: '... the annual management and performance report includes information on key governance arrangements in the Commission as well as: (i) an estimation of the level of error in Union expenditure based on a consistent methodology and an estimate of future corrections; ...'
78. Calls on the Commission, in accordance with Article 247 of the Financial Regulation, to align quickly its methodology to the one used by the Court and to provide the budgetary control authority with only one error rate corresponding to the risk at payment (error rate at payment); calls on the Commission to disclose separately an estimate of the future corrections (residual error rate); urges the Commission to apply a coherent terminology across all DGs when reporting on these two estimates; calls for the progress in the matter in question to be provided to the Parliament until 30 June 2021;
79. Calls on the Commission to take the necessary measures to obtain reliable data from the Member States concerning the error rate at payment; calls on the Commission to make appropriate adjustments in a timely manner if deficiencies are detected in Member States' controls;
80. Calls on the Commission to take all the necessary measures to obtain reliable data from the Member States concerning the error rate at payment;
81. Calls on the Court to:
  - (a) examine and review both parts of AMPR in its annual report; and

<sup>(6)</sup> [https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf\\_report\\_2018\\_en.pdf](https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf_report_2018_en.pdf)

- (b) examine whether, in the AARs of the DGs, the materiality threshold used to trigger the reservations mechanisms should be expressed as risk at payment instead of RER;

#### **Budgetary and financial management**

82. Notes that in 2018 commitment and payment appropriations available in the final budget were almost fully used: 99,5 % of commitments appropriations and 98,6 % of payment appropriations;
83. Points out that there was a significant increase in payment claims from Member States in 2018 for the ESI Funds;
84. Notes with concern that due mainly to delays, substantial amounts of unused annual ESI Funds pre-financing returned to the Union budget: EUR 8,1 billion in 2018 (compared to EUR 5,4 billion in 2017), which significantly increased assigned revenue in those two years;
85. Stresses that in 2018,
- there was no need for additional payments, and the EUR 5,3 billion of available Global Margin for Payments (GMP) from previous years were not needed;
  - the EUR 5,3 billion could not be transferred forward because the 2019 and the 2020 GMP ceilings had been reached and;
  - an additional amount of EUR 11,2 billion in payment appropriations not used in 2018 could not be transferred to 2019 or 2020;
86. Points out that according to the Court's forecast (points 2.15 and 2.16 of the Court's annual report) a total of EUR 44,9 billion could remain unused by 2020; reminds that the flexibility provided by the GMP end with the current MFF in 2020;
87. Points out with concern that:
- outstanding commitments have continued to grow, reaching EUR 281,2 billion at the end of 2018 (compared to EUR 267,3 billion in 2017) and that they have increased by 36 % (EUR 73,7 billion) over the past seven years since 2011, the corresponding year of the previous MFF;
  - based on the Commission's long-term forecast <sup>(7)</sup>, outstanding commitments will reach EUR 313,8 billion by 2023, which is close to the Court's projections;
88. Is worried by the fact that outstanding commitments (RAL) have continued to grow in 2018 reaching a new record; this represents a serious risk; calls on the Commission, in order to reduce current and prevent further outstanding commitments, to improve its financial forecasts and, where necessary, to assist countries to find eligible projects, especially those with clear European added-value;
89. Recalls that the high level of outstanding commitments is mainly due to the slow implementation of the ESI Funds, but also to the annual gap between commitments and payments and the increase in the size of the Union budget (the Court's rapid case review, 'Outstanding commitments — a closer look');
90. Shares the Court's concern that a high risk exists that not enough payment appropriations will be available to cover all amounts due in the first years of the new MFF and that this may be particularly true for 2021, the first year of the MFF for 2021 to 2027 (point 2.20 of the Court's annual report,);
91. Points out that the risk of insufficient payment appropriations is all the greater given that the implementation of the ESI Funds has been even more delayed than in the previous MFF; in this respect points to the fact that in 9 out of 13 Member States who joined the Union since 2004 the outstanding commitments present more than 15 % of their annual government expenditures and that in cases where not enough payment appropriations will be available to cover all amounts this could present a serious financial and political challenges both in these countries as within the Union;

<sup>(7)</sup> COM(2018) 687.

92. Points out that according to the Court: overall, the absorption of Member States' ESI Funds was lower than in the corresponding year of the previous MFF (points 2.22 to 2.24 of the Court's annual report for 2018);
93. Points out, in particular, that only Bulgaria, Luxembourg, Austria, Romania and Finland have an absorption rate that is faster during the current MFF than during the previous one;
94. Points out that guarantees supported by the Union budget have increased in recent years and that this is mainly due to the addition of the European Fund for Strategic Investments (EFSI) and the European Fund for Sustainable Development guarantees; notes that other guarantees include external lending mandate guarantees given to the European Investment Bank (EIB) and Union guarantees backing borrowing and lending activities, which are mainly loans to Member States;
95. Notes with concern that the increase in guarantees adds to the exposure of the Union's budget to risk, the level of losses expected by the Commission being covered by guarantee funds, which the new MFF will pool into a common provisioning fund;
96. Points out that in recent years, the Union has increasingly made use of financial instruments and budgetary guarantees provided to the EIB Group and that EIB Group has a complex relationship with the Union budget and different accountability arrangements to Union institutions;
97. Recalls that at present, EIB Group operations that are not financed by the Union budget but which serve the same Union objectives do not come under the Court audit mandate; points out that this means that the Court is unable to provide a full picture of the links between EIB Group operations and the Union budget; in particular, supports the Court's request to audit the EIB's non-Union budget related operations; calls for the renewal of the tripartite agreement between the Commission, the EIB and the Court, due in 2020, to include provisions giving the Court greater access to EIB operations' auditing with the view to improving external scrutiny; furthermore, calls on the EIB group to render the following more transparent: economic operations, its use of the Union budget guarantee, the additionally of EIB operations and possible future plans for a development subsidiary at the EIB; calls for a Memorandum of Understanding between the EIB and the Parliament to improve Parliament's access to EIB documents and data related to strategic orientation and financing policies in order to strengthen the Bank's accountability;
98. Endorses the main recommendations made by the Court in chapter 2 of its annual report for 2018;
99. Calls on the Commission to take measures to avoid undue pressure on the level of payment appropriations in the first years of the MFF for the programming period 2021 to 2027; requests that such measures include:
  - (a) improving the accuracy of forecasts of payment needs;
  - (b) inviting the budgetary authority to:
    - (i) provide for an orderly balance between the budgeted commitment and payment appropriations for the next MFF by increasing payment appropriations, changing the commitment rules or decreasing commitment appropriations;
    - (ii) in doing so, take into account the possibility of a high amount of payment claims in 2021 and 2022 and the fact that unused payment appropriations cannot be transferred to the next MFF;
  - (c) facilitating the timely adoption of legal frameworks and promoting early planning of programmes by Member States;
100. Calls on the Commission to ensure, as soon as the common provisioning fund is established, effective management and up-to-date monitoring of the Union budget's exposure to the related guarantees; in this context, asks the Commission to base its calculation of the effective provisioning rate on a prudent methodology based on recognised good practice;

101. Calls on the Commission to present annually to the budgetary authority the overall amount and the breakdown of funds transferred from the Union budget for financial instruments managed by the EIB Group, as well as to present information on the level of implementation of these funds;

**Getting results from the Union budget**

102. Stresses that the aim of performance information is to provide an indication as to whether Union policies and programmes, are achieving their objectives efficiently and effectively; suggests that, if improvements are needed, performance information should be used to inform the process of designing necessary corrective measures, and their implementation be continuously monitored;
103. Welcomes the fact that the Court has analysed in 2018 performance information published by the Commission and has, in particular, reviewed the performance indicators in:
  - the programme statements accompanying the 2019 draft budget,
  - the 2014-2020 Union budget Programmes' Performance Overview (PPO), issued for the first time in May 2018;
104. Insists that compliance and performance audits represent two sides of the same coin; points out that joining the two dimensions: i.e. the evaluation of the results achieved, while ensuring legality and regularity of spending, should put the discharge authorities in the position guarantee Union added value and to control the Commission's budget execution;
105. Regrets, once again, that the AARs of the Commission's directors general do not include a declaration on the quality of the reported performance data signed by them, and that, consequently, in adopting the AMPR, the College of Commissioners takes overall political responsibility for the financial management of the Union budget but not for the information on performance and results;
106. Welcomes, and follows with great interest, the intention of the Court to update its assessment of performance of the Union spending in its annual report and, in particular, to present for each MFF heading a chapter on compliance and performance;
107. Welcomes the fact that the Court inserted in chapter 3 of its annual report for 2018, under the heading, 'getting results from the budget', a summary of the main special reports published in the year by MFF headings; notes that, in 2018, the published replies to the Court's reports show that the auditees fully accepted 78 % of the 388 recommendations issued by the Court (compared to 68 % in 2017) and that 18 % of case recommendations were implemented only in some respects, with significant weaknesses remaining; notes that only 6 % of the recommendations have not been implemented;
108. Is concerned that in some Member States the administrative capacity might be insufficient;
109. Is concerned that overall, the data included in the programme statements suggest that progress towards the performance targets is moderate, which can be explained by the late, slow start for both the cohesion and rural development programmes;
110. Stresses that, according to the Court, indicators did not always provide a good picture of actual progress;
111. Insists that both the calculation of progress towards the target from the baseline and the progress towards the target reported by the Commission in the PPO should be treated with caution because many indicators were not well chosen or progress could not be calculated for a range of indicators; notes that for almost half the indicators, it was not possible to calculate progress towards the target from the baseline;
112. Notes with concern that for some programmes, data available was of insufficient quality and that some programmes include targets that are not sufficiently ambitious;
113. Calls on the Commission to promote the inclusion in the programme statements of indicators that:
  - (a) through a better balance between inputs, outputs, results and impacts, provide more relevant information on the achievements of Union spending programmes;

- (b) have a clear link with the actions financed by Union spending programmes;
  - (c) reflect the achievements of Union spending programmes rather than the performance of the Commission and other bodies implementing them; and
  - (d) cover the programme objectives;
114. Insists that to be able to calculate progress towards the target from the baseline, the Commission propose performance frameworks for all programmes with the characteristics listed below for performance indicators and that if the Commission deems this not to be meaningful for a specific indicator, it should explain its choice in the programme statements:
- (a) quantitative baselines, stipulating the year for the baseline;
  - (b) quantitative milestones;
  - (c) quantitative targets, stipulating the year of the target;
  - (d) data with the required level of quality so that progress towards the target from the baseline can easily be calculated;
115. Calls on the Commission to seek to receive in a timely manner performance information for all performance indicators, for instance by introducing new reporting tools on internet platforms;
116. Calls on the Commission to document the target programmes' objectives and targets, including benchmarks, so that the budgetary authority can assess their level of ambition and the results in achieving the targets;
117. Stress the importance of strictly monitoring, in the case of large-scale infrastructure projects, possible risk of corruption and fraud; calls on the Commission to carry out careful and independent *ex ante* and *ex post* assessments with regard to the project to be financed;
118. Calls on the Commission to further improve the PPO, especially by:
- (a) using one method for calculating progress towards the target from the baseline and if the Commission deems this not to be feasible for a specific indicator, it should explain its approach in the PPO;
  - (b) explaining the rationale used to select performance indicators for each programme;
119. Calls on the Commission to continue supporting Member States with a view to ensuring that both the quality and number of controls are improved, and to share best practice in the fight against fraud;

## Revenue

### *The Court's annual report for 2018*

120. Notes with satisfaction that the Court indicates that the level of error in revenue was not material and that the revenue-related systems were, overall, effective;
121. Notes that for the third year in a row, DG BUDG set a reservation on the value of traditional own resources (TOR) collected by the United Kingdom, due to the country's failure to make available to the Union budget evaded customs duties on textiles and footwear imports;
122. Notes with concern that the scope of the Court's reservation has been broadened to include other Member States' potential TOR losses as a result of the above under-valuation, which have not yet been estimated;
123. Regrets that after asking the United Kingdom in 2011 to set risk profiles for under-valued textiles and footwear imports from China, it took the Commission more than seven years to launch an infringement procedure;
124. Welcomes the facts that in 2018, the Commission sent a reasoned opinion to the United Kingdom having calculated the total losses (principal and interest) to the Union budget at EUR 2,8 billion and that in March 2019, the Commission referred the case to the Court of Justice;
125. Regrets that the key internal TOR controls assessed by the Court at the Commission and in certain Member States were partially effective;

126. Notes with concern that the Court found in Spain weaknesses in the control systems for compiling the monthly statements of customs duties;
127. Notes with concern that, in the random sample of three counties selected, the Court detected weaknesses in the management of established duties not yet collected; notes that these weaknesses mainly concerned delays in enforcing recovery of customs debts and the late recording or writing off of debts in the accounting system; notes weaknesses in the Commission's verifications of the Member States' TOR statements;
128. Regrets the fact that the Commission's 2018 inspection programme as to efficiency of the Member States systems to collect, report and make available the correct amount of TOR was not sufficiently supported by a structured and documented risk assessment, and that it did not rank Member States by level of risk or present the impact and probability of risks;
129. Notes with concern that the Commission, on receiving TOR statements each month or quarter, neither carried out a systematic analysis of unusual changes in the statements nor collected relevant information explaining the reasons for these changes;
130. Points out that the numbers of GNI and VAT reservations remain unchanged overall, while TOR open points have increased by 14 % <sup>(8)</sup>;
131. Regrets the fact that the Court review of selected TOR open points with financial impact revealed some delays in the Commission's follow-up and closing of these points; notes, in addition, that the Court found 27 % of the open points to have been outstanding for more than five years;
132. Observes that VAT contributes 12 % to the Union revenue of EUR 145 billion in 2018; highlights in this context that the Commission estimated the VAT 'gap', which is the difference between expected VAT revenues for the Member States' budget and VAT actually collected in the national Treasuries, in 2017 to amount to EUR 137,5 billion <sup>(9)</sup>; notes that the VAT gap covers VAT losses affecting mainly the national budgets and that the loss, among others, may be due to insolvencies, bankruptcies, administrative errors, tax optimisation and also to possible illegal/fraudulent activities;
133. Notes with concern that in 2018, the Commission placed a general reservation relating to France's estimation of its GNI because France had provided insufficient information on the compilation of its GNI;
134. Notes that as to the five recommendations made by the Court in its 2015 annual report the Commission had only implemented one in full, one recommendation in some respects and three in most respects;
135. Calls on the Commission to implement a more structured and documented risk assessment for its TOR inspection planning, including an analysis of each Member State's level of risk and of risks in relation to the drawing up of the A and B accounts;
136. Calls on the Commission to reinforce the scope of its monthly and quarterly checks of TOR A and B account statements by carrying out a deeper analysis of the unusual changes in order to ensure a prompt reaction to potential anomalies;
137. Reconfirms its position on the reform of the Union own resources system, which represents a very positive revenue component of the 2021-2027 MFF package; welcomes, therefore, the proposed introduction of three new Union own resources and the simplification of the current VAT-based own resource for the 2021-2027 MFF <sup>(10)</sup>;

<sup>(8)</sup> When the Commission identifies cases of potential non-compliance with the own-resources regulations in data provided by Member States, it leaves the data open for possible changes until it is satisfied that this data is compliant. For cases concerning GNI or VAT, this procedure is called setting a reservation; for TOR cases, the corresponding procedure is called creating an open point. The Commission determines the impact on the Union budget of the reservations and open points after obtaining the necessary information from the Member States.

<sup>(9)</sup> [https://ec.europa.eu/taxation\\_customs/business/tax-cooperation-control/vat-gap\\_en](https://ec.europa.eu/taxation_customs/business/tax-cooperation-control/vat-gap_en)

<sup>(10)</sup> Court's Special Report No 12/2019: E-commerce: many of the challenges of collecting VAT and customs duties remain to be resolved.

*The Court's Special Report No 12/2019: E-commerce: many of the challenges of collecting VAT and customs duties remain to be resolved*

138. Notes that there are no estimates available of VAT losses at Union level on cross-border supplies of services, but the Commission estimates losses on supplies of low value goods from third countries to be as high as EUR 5 billion per year;
139. Highlights the role of the Member States in the implementation of administrative cooperation agreements, the effectiveness of controls, the enforcement of data collection and the monitoring of traders' compliance with the regulatory framework;
140. Is aware that the enforcement of VAT collection is a national competence;
141. Emphasises the high importance of the use of information exchange between Member States and with third countries;
142. Invites the Member States to increase their exchange of information about possible fraudulent companies and transactions through Eurofisc;
143. Calls on the tax authorities of the Member States to reinforce their control activity on Mini 'one-stop-shop' system <sup>(11)</sup>;
144. Urges the Commission to carry out sufficient control and monitoring activities in the Member States;
145. Is concerned about the risk of undervaluation of supplies of e-commerce goods from third countries; welcomes steps taken in order to solve the problem of e-commerce VAT fraud;
146. Calls for a swift adoption of the proposed legislation on VAT for e-commerce in order to address the weaknesses of the distance sales regime;
147. Invites OLAF to inform Parliament on the outcome of its investigations related to e-commerce import of low value garments and to suspected import via e-commerce transactions of potentially sensitive goods by air transport;

#### **Competitiveness for growth and jobs**

148. Notes that the MFF subheading 1a 'Competitiveness for growth and jobs' accounts for 13,7 % or EUR 21,4 billion of the Union budget; of this amount EUR 11,7 billion (54,3 %) are spent on research and innovation, EUR 2,4 billion (11,1 %) on education, training, youth and sport, EUR 2,2 billion (10,4 %) on transport and energy, EUR 1,5 billion (7,2 %) on space and the rest on other actions;

*Contributing to accomplishing the EU2020 objectives*

149. Is satisfied that the European Innovation Scoreboard revealed a positive trend in the majority of Union countries – in particular in Malta, the Netherlands, and Spain, with Sweden remaining the Union innovation leader;
150. Regrets however that the majority of Member States continue to lag behind in achieving the objective of investing 3 % of gross domestic product (GDP) in research and development; highlights that the DG RTD gives principally three reasons for this sluggish development, namely, (a) the lack of public and private investment in this area, (b) the limited quality and efficiency of national research and innovation systems, and (c) market failures linked to business investment decision in R & I;
151. Welcomes that the level of participation of SMEs in the Leadership in Enabling and Industrial Technologies (LEIT) part and the Societal Challenges Pillar of the Horizon 2020 programme continues to be above the target for the programme, reflecting the considerable efforts made to attract SMEs to the programme and the simplifications made to facilitate their participation;
152. Welcomes also that the share of newcomers to Horizon 2020 has reached 61,4 %, thereby exceeding the benchmark of 55 % set for 2018;

<sup>(11)</sup> A voluntary trade facilitation system that allows taxable persons (both Union and non-Union businesses) supplying telecommunication, television and radio broadcasting services and electronically supplied services to non-taxable persons in Member States in which they do not have an establishment to account for the VAT due on those supplies and declare it via a web-portal in the Member State in which they are VAT registered.

153. Deplores that the share of Union contribution to climate actions under Horizon 2020 fails to reach its set climate and sustainability spending targets and hence for the entire 2014-2020 MFF; stresses that, following the Union's commitment under the Paris Agreement and in view of the European Green Deal climate-related spending should be significantly increased with no further delays;

*The audit scope and approach*

154. Notes that the Court examined a sample of 130 transactions, designed to be representative of the full range of spending under this MFF sub-heading: 81 transactions in research and innovation (22 under the Seventh Framework Programme and 59 under Horizon 2020) and 49 transactions under other programmes and activities, notably Erasmus+, the Connecting Europe Facility (CEF) and space programmes with the beneficiaries being located in 19 Member States and 4 third countries;
155. Welcomes the fact that the Court estimated the level of error for the whole MFF 1a area to be 2,0 % and that this figure is lower than that for the previous two years, when the estimated level of error was slightly above 4 %;
156. Regrets, however, that in eight cases of quantifiable error by the beneficiaries, the reimbursement claim contained sufficient information for the Commission, the national authorities or independent auditor to prevent or detect and correct the error before accepting the expenditure; notes that, had the Commission made proper use of all the information at its disposal, the estimated level of error for this chapter would have been 0,3 % lower;
157. Observes that, as in previous years, many quantifiable errors concerned personnel costs; equipment and infra-structural costs also were a source of error;
158. Was surprised to learn that *ex ante* verifications of the Union contribution for large research infrastructure programmes were not only time consuming and costly (i.e. manpower, travel) but had often little impact on error prevention;
159. Takes note of the fact that the Court reviewed the audit files (working papers and supporting documentation) at the Common Audit Service and at the private audit companies and that in 11 cases the Court had to perform additional audit procedures, mainly due to the need to obtain additional supporting documentation or discrepancies in the working papers;
160. Is concerned about the methodological errors, which the Court found for the calculation of the error rate in the Horizon 2020 programme: 'The *ex post* audits aim for maximum coverage of the accepted costs, but rarely cover all the costs. The error rate is calculated as a share of all the accepted costs, instead of the amount actually audited. This means that the denominator in the error calculation is higher, so the error rate is understated. In cases where the errors found are of a systemic nature, the error is extrapolated which partially compensates for the above-mentioned understatement. However, since extrapolation is not performed for non-systemic errors, the overall error rate is nevertheless understated.' <sup>(12)</sup>;
161. Noticed that DG RTD calculated error rates for the Seventh Framework programme and for Horizon 2020:
- DG RTD estimated that the Common Representative Error Rate for Seventh Framework programme, calculated on a multi-annual basis, is a little over 5 %; the RER is estimated at 3,36 %;
  - the RER for the research and innovation family stands at 2,22 % (2,24 % for DG RTD) expected to rise to around 2,45 % (2,48 % for DG RTD) when taking into account the draft audit reports;
162. Notes that for the DG RTD the estimated overall amount at risk at payment for the 2018 payments made is in the range of EUR 97,6-101,1 million and that the overall amount at risk at closure for the 2018 expenditure of EUR 69,1 to 72,7 million, representing 2,21 %-2,33 % of total expenditure);

<sup>(12)</sup> Point 5.34 of the Court of Auditors' annual report on the implementation of the budget for the financial year 2018, together with the institutions' replies (OJ C 340, 8.10.2019).

163. Points out that concepts of 'risk at payment' and 'risk and closure' were introduced for the 2018 audit exercise;
164. Welcomes that the findings of the Court (based on the MFF subheading) and of the Commission are similar;
- Financial management and internal controls*
165. Points out that for Seventh Framework programme a horizontal reservation on the reimbursement of cost claims remained in place;
166. Specifies that in 2018 DG RTD managed directly 56 % (compared to 58 % in 2017) of its budget expressed in terms of payments and that 44 % of the payments went to other entrusted bodies to be implemented by them;
167. Takes note that DG RTD entrusted 15,05 % of its 2018 budget to the EIB/EIF for Innovfin, that Innovfin aims to support research and innovation through financial instruments, and that the amount transferred to EIB/EIF in 2018 was EUR 472,9 million;
168. Is of the opinion that any programmes, actions or projects of the EIB family co-financed by the Union budget should be audited by the Court;
169. Is concerned that, although 4 740 out of 4 934 projects from the financing period 2007 to 2013 are closed, a backlog of commitment ('reste à liquider' or RAL) worth EUR 157,3 million continues to exist and that the Commission is unable to indicate when the RALs will have been cleared <sup>(13)</sup>;
170. Highlights with concern the very imbalanced allocation of funds to researchers across Member States via Horizon 2020;
171. Points out that for the current programming period 2014 to 2020, 64,26 % of the budget was executed;
172. Encourages the DG RTD to continue its simplification efforts in line with the Court's Special Report No 28/2018 but without compromising legal certainty and without shifting *ex post* control to *ex ante* controls;
173. Is of the opinion that the DG RTD should pay greater attention to measuring the Union added value of R & I investments; stresses that measuring performance in research and innovation should not be based only on short-term output and monetary indicators, but should take into account the particular nature of research; encourages the Commission to develop ways of improving the support of high-risk research and innovation projects in a transparent way;
174. Strongly recommends the DG RTD to pay greater attention to measuring the Union added value of R & I investments;
- HUAWEI*
175. Acknowledges that HUAWEI subsidiaries applied for Union co-funding under the Horizon 2020 programme;
176. Notes however that participants from Brazil, China, India, Mexico and Russia were no longer funded under Horizon 2020 <sup>(14)</sup>;
177. Recalls that the Horizon 2020 Rules for Participation and Dissemination, the provisions regulate the exploitation of results and convey to the Commission the right to object to transfers of ownership or grants of exclusive licences established in a third country not associated with Horizon 2020;
178. Takes note of the fact that OLAF, in this context, analysed information on alleged transgressions and has decided to open a new evaluation;

<sup>(13)</sup> Reply to question 10, Questionnaire in preparation of the discussion with Commissioner Moedas, <https://www.europarl.europa.eu/cmsdata/188520/Replies%20to%20questionnaire%20-%20Commissioner%20Moedas-original.pdf>

<sup>(14)</sup> DG RTD, AAR 2018, p. 16.

179. Notes with concern the danger of intentional misuse of Union funds by third countries in joint research projects; reminds that these third countries need to follow the rules on integrity and the protection of Union financial interest just as the Member States do;

*Education, Audio-Visual and Culture Executive Agency (EACEA)*

180. Is concerned by the Court's finding that the agency's internal control systems require major improvements and that for the second consecutive year the Commission issued a reservation on the system;

*Recommendations*

181. Calls on the DG RTD to:
- follow-up the Court's recommendations concerning this subheading;
  - implement the 26 open recommendations of the Internal Audit Service as swiftly as possible;
  - pay greater attention to and be more ambitious in fostering climate actions (a KPI);
  - be particularly vigilant with regard to the adherence to the Horizon 2020 Rules for Participation and Dissemination;
  - encourage a more balanced allocation of resources among Member States within Horizon 2020 and further assist Member States and researchers in particular in their application for funding;
  - publish all its proposals for country-specific recommendations under the European Semester exercise in its AAR;
  - rethink the way that the *ex ante* verification for large research infrastructure are done with the view of making them more efficient and effective;
  - together with the EACEA, report to Parliament's responsible committee, by July 2020, on the reforms introduced to remedy the situation;
  - pay particular attention to the distribution of funds by the project coordinator to the beneficiary;
  - invest in measuring performance and Union added value;
182. Calls on the Court to extend the performance coverage in its annual report, for which the Court's special reports are a valuable source of information; in this context, welcomes the proposals made on 19 November 2019 in Luxembourg during the visit of the Committee on Budgetary Control;

**Economic, social and territorial cohesion**

183. Notes the information presented by the Court that in 2018 payments under MFF subheading 1b 'Economic, social and territorial cohesion' are 34,8 % or EUR 54,5 billion of the annual Union budget; notes further that of this amount EUR 30,1 billion (55,1 %) are spent on ERDF, EUR 9,3 billion (17 %) on CF, EUR 13,9 billion (25,6 %) on ESF and the rest on other actions;
184. Notes that for 2018 DG REGIO reported payment of EUR 39,5 billion which represents 98,52 % implementation rate of the authorised payment appropriations for 2018, and that DG EMPL reported payment of EUR 14,6 billion – 94,42 % implementation rate;

*Contributing to accomplishing the Union's 2020 objectives*

185. Notes that the Commission, with regard to KPIs claims that, with regard to:
- jobs, growth and investment, every euro spent generated EUR 2,7 of additional GDP and that, as a consequence, around 1,3 million jobs were created over the last programming period;

- the strengthening of research, technological developments and innovation, the forecast number of co-operation projects between enterprises and research institutions, based on the selected projects at the end of 2017, nearly doubled;
- the competitiveness of SMEs, the forecasted number of enterprises receiving support, based on the selected projects at the end of 2017, progressed by 40 %;
- the low-carbon economy, the forecasted number based on the selected projects at the end of 2017 more than doubled, and reached 69,2 % of the end-2023 target of 6 708 Megawatt of additional capacity;

186. Remarks that the Common Provisions Regulation for 2014-2020 period (Article 71 of Regulation (EU) No 1303/2013<sup>(15)</sup>) does not include provisions which define the achievement of results and their sustainability as criteria for durability of productive investments from the ERDF; notes the Court's observations about the sustainability<sup>(16)</sup> and quality of those investments and reiterates its call for inclusion of the achievement of results as a core consideration in evaluating project durability which will allow to assess to what degree positive economic developments are fostered by a general economic upturn or by Union funding;

*The audit scope and approach*

187. Notes that the Court examined a sample of 220 transactions, designed to be statistically representative of the full range of spending under MFF sub-heading 1b, which the audit authorities had previously checked;
188. Notes with concern the fact that the Court identified and quantified, in those 220 transactions, 36 errors, which had not been detected by audit authorities and that taking account of the 60 errors previously found by audit authorities and corrections applied by programme authorities (worth a total of EUR 314 million for both programming periods taken together), the Court estimated the level of error to be 5,0 %;
189. Notes that the Commission does not share the assessment of the Court on three significant errors concerning the programming period 2014 to 2020 and two errors concerning the programming period 2007 to 2013; notes that the Commission refers to a diverging interpretation of applicable national or Union rules with an impact on the calculated error rate<sup>(17)</sup>;
190. Details that the main sources of error concerned ineligible costs (37) and public procurement (18) followed by the absence of essential supporting documentation (3);
191. Notes furthermore that, until end of the 2016/2017 accounting year, EUR 2,9 billion was paid in advances to financial instruments, out of which EUR 2,3 billion was declared between 1 July 2016 and 30 June 2017 (17 % of the total amount paid in Union co-financing) and that during the 2016/2017 accounting year, EUR 1,3 billion (43 %) was disbursed to final recipients;
192. Asks the Commission to inform the discharge authority who benefits from the interest accrued on the EUR 1,6 billion not yet paid to beneficiaries and to include this information in its annual reporting from now on;
193. Notes that the Court's audit covered disbursements to five financial instruments (two from the programming period 2014 to 2020 and three from the programming period 2007 to 2013); notes that the Court examined 30 guarantees and 100 loans for these five instruments at financial intermediary level and found 14 cases of ineligible disbursements to final recipients, relating to three of the instruments the Court examined: they concerned either ineligible loans or ineligible final recipients, and cancelled disbursements that the Member State incorrectly recorded as paid;

<sup>(15)</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

<sup>(16)</sup> See also the Court's Special Report No 8/2018: EU support for productive investments in businesses — greater focus on durability needed.

<sup>(17)</sup> See reply to question No 24, questionnaire to Commissioner Hahn for the Hearing in CONT on 11 November 2019.

194. Observes that DG REGIO confirmed a residual total error rate of 1,96 % for the accounting year 2016 to 2017, following completion of the national and Commission control cycle, based on all audit evidence available at this date and pending contradictory procedures (conservative approach) and that at the same time DG REGIO estimated that the confirmed rate could reach a maximum of 2,74 %;
195. Notes with concern the marked difference between the error rates estimated by the Court and by the Commission;
196. Notes furthermore that, for 2018, the Commission has introduced two new concepts: 'amount at risk at payment' <sup>(18)</sup> and 'amount at risk at closure';
197. Points out that the 'amount at risk at payment' is based on the accounts transmitted by Member States once they have deducted financial corrections; notes that it would appear therefore, that the Commission has no first-hand information on the amount at risk at payment;
198. In addition, points to the fact that the 'amount at risk at closure' is an extrapolation based on the Commission's experience;
199. In this context, finds it useful to recall point (b)(i) of Article 247(1) of the Financial Regulation, which requires the Commission to submit '(...) an estimation of the level of error in Union expenditure based on a consistent methodology and an estimate of future corrections; (...)';
200. Is concerned by the Court's conclusion that currently there is limited reliance on the work done by several audit authorities due to weaknesses in the audit authorities sampling method, its audit trail documentation and treatment of errors; expresses also concern that the Court cannot rely on the error rate presented by the Commission because it is based on expenditure which has not yet gone through the full control cycle and which expenditure is not the same as this audited by the Court;
201. Considers it unsatisfactory that the Court and the Commission use different methodologies to establish their respective opinion on the legality and regularity of financial transactions; they therefore arrive at different results for the RER: > 2 % (DG EMPL & DG REGIO), 5 % (Court); in this regard, requests that the Court provides not an RER but an Error rate at payments (before corrections are applied), in order to improve the quality of the evaluation and the scrutiny of the Parliament;
202. Points out that, in addition, the database of the two institutions is different: whereas the Court follows an annual approach, the Commission, in 2018, was able only to verify the 2016/2017 accounts and follows a multiannual approach;

*Financial management and internal controls*

203. Points out that DG REGIO issues 30 reservations for 30 operational programmes under the current programming period; 18 reservations were still in place for the programming period 2007 to 2013;
204. Notes that at the end of 2018 DG REGIO reports for a completion of 99 % of the action plans to fulfil the *ex ante* conditionalities and that the uncompleted action plans were reduced to 6 in 2018 (8 in 2017; notes with concern that two suspension decisions and two pre-suspension letters were issued for those plans not completed which might affect the timely implementation of the operational programmes concern majority of which are in the environmental sector;
205. Calls on the Commission to arrange for a genuine simplification of the procedure, including in the documentation required in order to gain access to funding, without neglecting the principles of audit and monitoring;
206. Is concerned that the implementation of the structural funds is lagging behind and the situation is even worse than at the comparable moment during the previous programming period: whereas currently the average absorption rate is below 40 %, it used to be below 60 % at the comparable moment during the programming period 2007 to 2013 <sup>(19)</sup>;

<sup>(18)</sup> DG REGIO, AAR 2018, p. 111: 'The risk "at payment" is calculated for each programme by applying the residual total error rate of the accounting year 2016/2017 as confirmed by the Commission services<sup>113</sup> or, when it is higher, the residual total error rate reported by the audit authorities for the accounting year 2017/2018 to the "relevant expenditure" of the Commission reporting year (...); 'The risk "at closure" indicates the remaining risk to the 2018 relevant expenditure once the Commission will apply the necessary financial corrections to bring the total residual error rates for all OPs down to 2 % (...)'.

<sup>(19)</sup> See also Court's Special Report No 17/2018: Commission's and Member States' actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results.

207. Notes that the DG REGIO AAR for 2018 states that currently EUR 18 billion of ERDF and CF, which is equivalent to 7,2 % of the total allocations, are planned to be delivered through financial instruments;
208. Regrets that the annual report 2018 on the 'Financial instruments under the ESI Funds' was only published in January 2020; notes that at the end of 2018 the ESI Funds contributions committed to FIs were EUR 16,9 billion, EUR 7 billion were paid to FIs from ESI Funds (around 41 %) and EUR 3,7 billion were invested in final beneficiaries; calls on the Commission to publish the 2019 annual report by October 2020 so that its findings can be integrated in the 2019 discharge report;
209. Reminds of its request to enabling national audit authorities to audit financial instruments under the Union budget, reduce the number of financial instruments, and introduce more stringent rules for reporting by funds managers, including by the EIB Group and other international financial institutions regarding performance and results achieved, thereby enhancing transparency and accountability <sup>(20)</sup>;
210. Stresses that more transparency, improved accountability and better reporting on performance and sustainably are necessary for financial instruments implemented within and outside the Union; calls on the Commission to ensure that its counterparts implementing financial instruments supported by the Union budget are ensuring utmost transparency and accountability;
211. Emphasises that financial instruments can supplement grants but should not replace them <sup>(21)</sup>;
212. Is seriously concerned that the backlog of commitments at the end of the programming period will be considerably higher than at the end of the previous exercise, thereby possibly triggering another payment crisis;
213. Notes that DG REGIO, for the accounting year 2016/2017, confirmed RERs reported by audit authorities (including in some cases after introducing adjustments without a material impact) below the materiality threshold for 135 operational programmes with 29 to be revised above 2 %;
214. Notes also that DG REGIO accepted 242 of 258 certified accounts for the accounting year 2017/2018; it did not accept 16 accounts; underlines in this context that the Court did not examine the accounts for that period as the verifications were not completed;
215. Observes that the most fraud-exposed areas in structural and cohesion policy are infrastructure (34 %), the environment (13 %) and research (13 %) and that fraud cases concern the procurement rules (52 %), irregular expenditure (14 %) and conflicts of interests (8 %);

*Serious irregularities and misuse of funds in Member States*

216. Notes that the DG REGIO final audit report on the Czech Republic was leaked to the media without authorisation; was informed that the Commission carried out comprehensive audits regarding the application of Union and national law, thoroughly checking not just the regularity of operations but also the compliance with the Union and national legislation on the conflict of interests; notes that the Commission informed Parliament's responsible committee in an in camera meeting in December 2019 about the progress of the audits carried out by DG REGIO and DG EMPL; calls on the Commission to keep the discharge authority and Parliament's responsible committee(s) informed about any new developments without undue delay and to ensure appropriate follow-up to the findings;
217. Deplores initial indications that the auditors detected, in the area of regional and cohesion funds, serious deficiencies in the functioning of the management and control systems and therefore suggested a financial correction of almost 20 %; calls on the Commission to critically assess whether these cases represent cases of systemic misuse of Union funds; expects the Commission to adopt an appropriate mechanism to avoid future deficiencies;

<sup>(20)</sup> Paragraph 204 of the Parliament's resolution of 18 April 2018 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III — Commission and executive agencies (OJ L 248, 3.10.2018, p. 29).

<sup>(21)</sup> Paragraph 21 of the Parliament's resolution of 18 April 2018.

218. Also deplores initial indications that the Commission auditors detected very serious cases of conflict of interests related to the Czech government; understands, however, that the Czech national law on conflicts of interests did not before February 2017 penalise the granting of public funds to public officials; notes that no expenditure has been declared so far for 2018; expects the Commission to do its utmost to complete the process efficiently and in a timely manner and to carry out fully all the necessary corrective measures; in the light of reports about the serious concerns over conflict of interests related to the Czech government found in the audits carried out by the Commission; urges the Commission to fully inform the Parliament and the European Council about the situation;
219. Welcomes the fact that the Commission has informed its competent committee that DG REGIO carried out financial corrections of more than EUR 1,5 billion from programmes of the 2007-2013 period in Hungary, in which it discovered irregularities and that this amount affects the following operational programmes:
- |                                     |                        |                 |
|-------------------------------------|------------------------|-----------------|
| — 2007HU161PO001                    | Economic development   | EUR 275 million |
| — 2007HU161PO002                    | Environment and Energy | EUR 254 million |
| — 2007HU161PO007                    | Transport              | EUR 371 million |
| — 2007HU161PO008                    | Social infrastructure  | EUR 120 million |
| — 7 regional operational programmes |                        | EUR 473 million |
| — 2007HU161PO010                    | Implementation         | EUR 75 million  |
220. Acknowledges the excellent audit work by the Commission in detecting systemic risks and sources of error; welcomes the financial corrections imposed; notes with concern the substantial time required to recover irregularly paid out funds; calls on the Commission to inform the discharge authority about its findings on systemic risks and oligarch structures in greater detail;
221. Deplores the fact that the Commission auditors detected, in the area of ESI Funds serious deficiencies in the functioning of the management and control system mainly in relation to the control of public procurement procedures;
222. Recalls that 10 % flat rate financial correction has been applied in relation to all operational programmes;
223. Recalls the 25 % financial correction on framework agreements in the water sector in the Environment and Energy Efficiency OP due to public procurement irregularities;
224. Recalls the 10 % flat-rate financial correction in the Territorial and Settlement Development Operational Programme due to deficiencies during the project selection;
225. Notes furthermore that DG REGIO has not yet pre-closed the programmes concerning electronic administration, which could imply further corrections;
226. Notes with concern that the level of irregularities point to the fact that there is a systemic problem in Hungary's operational programmes dating back to 2007; calls on the Commission to inform the Parliament and the general public on the Commission's own assessment of reasons behind this level of irregularities; points out that the 10 % lump-sum fine for mismanagement of operational programmes is not a long-term solution to the high level of detected irregularities and that, without improved and adequate control and monitoring mechanisms, this level cannot decrease;
227. Ask the Commission to establish, for the programmes above, a clear timeline from the start of the project until the recovery of the funds, explaining the different stages;
228. Asks the Commission how these recoveries will be included in the budget as they affect programmes of the previous programming period 2007 to 2013;
229. Recalls its position in favour of setting up a mechanism whereby Member States that do not respect the values enshrined in Article 2 of the Treaty on European Union (TEU) can be subject to significant legal and financial consequences;

*Recommendations*

230. Calls on the Commission to:

- expand reporting on the impact and sustainability of Union investments to show the Union added value of Union funding;
- reinforce its efforts to improve the current control and assurance frameworks with the view to establishing a single audit chain;
- present in its AMPR a figure for the level of error at payment (before being corrected at national level) and estimate of future correction;
- continue its cooperation with the Court in order to further align audit methodologies and interpretation of legal texts;
- publish all its proposals for country-specific recommendations under the European Semester exercise;
- pay increased attention, and allocate increased technical support, to Member States, whose management and control systems are only partially reliable or not reliable, where there is an increased risk of fraud and corruption related to funds and especially those Member States who did not join EPPO;
- strongly encourage Member States to join EPPO;
- pay particular attention to framework agreements awarded through public procurement procedures, as fraud and corruption related to them represent an increased risk for the financial interests of the Union;
- reduce the backlog in commitments as swiftly as possible;
- reduce the automatic decommitment for the programming period 2021 to 2027 from n+3 years to n+2 years in order to push Member States to swiftly implement the programmes;
- impose financial corrections for the errors identified by the Court in accordance with the relevant legal provisions;
- specify in the AARs how the amounts effected by *ex post* financial corrections imposed by Member States and by the Commission were reused, particularly in those cases where fraud, corruption or other criminal activity was involved;
- specify in the AARs if and in what way were the *ex post* financial corrections imposed by Member States and by the Commission re-used by member states concerned;
- publish the 2020 annual report on the 'Financial instruments under the ESI Funds' without delay;
- increase transparency by allowing search for winning bidders on TED, the Union's electronic public procurement website,
- Make the utilisation of ARACHNE IT programme a pre-condition for Member States to use Union Funds; explore the possibility of using the data of ARACHNE and the judicial decisions from Member States and Court of Justice of the European Union to create an 'EU black list' of companies and their beneficial owners or individuals who have been convicted in relation of fraud or corruption or other criminal activities related to use of Union funds, possibly banning them from applying for Union funding for a period of five years, and to scrutinise carefully all their ongoing projects involving the payment of Union Funds;
- provide further support and guidance to Member States through its different mechanisms including technical assistance at its disposal and dedicated Task force for strengthening administrative capacity for absorption of Union funds and for smooth transition from the current to the next programming period;
- align the accounting periods of the structural funds with the ones of the Court;
- ensure that the 10 % retention on interim payments is preserved during the programming period 2021 to 2027 and the amounts retained should be released only once all verifications are completed and the necessary improvements or corrective measures are implemented;

- develop common guidelines for conflicts of interest of high-level politicians; develop together with the Member States effective legal instruments to avoid fostering oligarch structures drawing on Union cohesion funds;
- consider the introducing direct management instead of shared management in case of intentional misuse of funds for the new MFF;

231. Calls on the Court to extend the performance coverage in its annual report, for which the Court's special reports are a valuable source of information; in this context welcomes the proposals made by the Court on 19 November 2019 visit of the Committee on Budgetary Control;

### **Natural resources**

#### *Compliance*

232. Notes that for the financial year 2018, the Court estimates a level of error at 2,4 % for the Heading 'Natural Resources' as a whole, still above the materiality threshold of 2 %;
233. Stresses that complex eligibility conditions increase the risk of error in rural development, market measures, fisheries, environment, and climate action; notes that those areas correspond to around a quarter of the budget for 'Natural Resources';
234. Notes that out of the 156 payments tested by the Court in the higher risk areas, one quarter were affected by error and that the main causes of error were related with eligibility conditions, procurement or grant rules, and inaccurate information on areas;
235. Notes with satisfaction that for the budget corresponding to European Agricultural Guarantee Fund (EAGF)-direct payments (72 % of the heading 'Natural Resources') the Court estimates that the level of error in this area is below the materiality threshold of 2 %;
236. Points out that out of the 95 direct payments audited by the Court, 81 % were unaffected by error and that most of the errors were minor overpayments below 5 %, mainly due to farmers providing inaccurate information on areas;
237. Stresses that the positive achievements in the area of EAGF-direct payments are mainly due to the quality of the Integrated Administration and Control System, the Land Parcel Identification System, the Geo-Spatial Aid Application and the preliminary cross-checks on farmers' applications;
238. Notes that according to the Court, the figures presented by the Commission in its AMPR are consistent with its audit conclusion;
239. Points out that in 2018, DG AGRI carried out review visits to 17 certification bodies and found that improvement is needed for the majority of them and thus, limited reliance could be placed on the work of most of the visited certification bodies as regards verification of legality and regularity and that in particular, deficiencies were identified in particular regarding the sampling methodology and the extent of the eligibility checks;

#### *Performance*

240. Notes that the rural development actions had generally been carried out as planned and that Member States had checked the reasonableness of costs;
241. Points out that, for some projects, simplified cost options, such as lump sums or flat rates, have the potential to simplify administration and keep costs under control;
242. Regrets that national authorities made little use of simplified cost options though they could have been useful in about one third of the projects visited by the Court; notes, however, the efforts of DG AGRI to assist member States to overcome difficulties and problems they encounter in introducing simplified cost options;
243. Points out with concern that the Court continues to identify weaknesses in the use of result indicators as to the CAP common monitoring and evaluation framework (the CMEF);

244. Regrets, in particular, that the Court found that close to one third of the rural development actions had no relevant result indicator in the CMEF and that where defined, indicators were not always related to the objectives of the focus areas;

245. Recommends that:

- the Commission assess the effectiveness of the Member States' actions to address the underlying causes of errors and issue further guidance where necessary;
- the certification bodies improve their procedures so that the Commission can fully use their work as its primary source of assurance on the regularity of CAP spending;
- the Commission address the weaknesses detected by the Court regarding the common monitoring and evaluation framework in the context of its proposal for the new CAP;

#### KPIs

246. Recalls that one of the main objective of the CAP is to provide income stability to the farmers and support for the maintenance and creation of the jobs and to stimulate growth and investments across the Union territory; finds that in less developed rural areas, contrary to its main objectives, the CAP is primarily supporting the big land owners, and only less so supporting smaller farmers working the land;

247. Notes with deep concern that as in previous years, according to the DG AGRI's AAR for 2018, 'the agricultural factor income per full time work unit has recovered in real terms but income generally lagging behind salaries in the whole economy'; calls on the Commission to approach this situation with utmost seriousness, having in mind the consequences of farmers salaries generally lagging behind, especially in less developed rural areas;

248. Notes that the employment in the Union's rural areas has climbed above its pre-crisis level of 2008: 67,7 %;

249. Points out that the KPI related to the rural employment rate is not only determined by the CAP factor;

250. Points out with deep concern that according to DG AGRI's AAR for 2018, the labour force in CAP has steadily declined from 11 595 (1 000 annual work unit) in 2008 to 9 363 (1 000) annual work in 2017 (p. 22);

251. Notes the positive trend communicated by the Commission as to the KPI relating to the minimum share of land with specific environmental practices;

252. Stresses however, that the Commission concluded in its staff working document <sup>(22)</sup> that '... despite the objectives of the greening measures set out in the Direct Payments Regulation, environmental and climate objectives have not been generally a major factor in the Member States' implementation choices. Member States (...) do not use this flexibility to maximise the environmental and climate benefits; decisions seem to have been driven rather by administrative issues and agricultural considerations, including wanting to ensure minimal disturbance to farming practices';

253. Regrets that, as in previous reports, the Court again identified weaknesses in the use of result indicators, including gaps in the quality of result indicators <sup>(23)</sup>; stresses that, if the proposed shift to a performance-based CAP is to be achieved, it will require the development of a comprehensive set of common result indicators and the thorough application of those indicators;

254. Calls the Commission to ensure that CAP funding is in line with the goals of European Green Deal and the Paris Agreement;

255. Regrets in particular that the Commission had to conclude 'overall effects of the greening measures, as currently applied, on farm management practices and the environment/climate are uncertain but appear to be fairly limited, although there are variations across the Member States' and that 'the crop diversification measure has resulted in an increase in the diversity of cultivated crops of around 0,8 % of the arable area' <sup>(24)</sup>;

<sup>(22)</sup> SWD(2018) 478, p. 55.

<sup>(23)</sup> Court's Special Report No 10/2018 on the Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels.

<sup>(24)</sup> SWD(2018) 478, p. 56.

256. Points out that the greening of CAP could not reach its original goal of enhancing the environmental performance and stayed to be an income support scheme due to the continued basis of hectare based payments; and reminds that according to Court's Special Report No 21/2017 it created the risk of significant deadweight and double funding;
257. Points out with concern that whilst greenhouse gas emissions from agriculture have declined substantially between 1990 and 2010, this trend was interrupted and emissions increased from 2016 to 2017 at the moment when greening was implemented (see reply to Written Question No 9);

*Fairer CAP allocation*

258. Insists that larger farm incomes do not necessarily need the same degree of support for stabilising farm incomes as smaller farms in time of income volatility crisis since they may benefit of potential economies of scale, which are likely to be resilient; believes that the Commission should take steps to ensure that CAP funds are distributed in a weighted manner, such that the payments per hectare are on a reducing scale relative to the size of the holding/farm;
259. Insists that in the new delivery system a specific result indicator 'Redistribution to smaller farms' be adopted;
260. Urges the Commission to ensure that the CAP is fairly allocated to active farmers and does not result in land deals that benefit a select group of political insiders often called 'the oligarchs'; calls on the Commission to take stock of breaches, circumventions and unintended consequences of the CAP current allocation rules; notes the importance of a transparent and strong governance system and further calls on the Commission to increase efforts to prevent and detect fraud;
261. Is concerned by recent reports of alleged cases of high-level conflicts of interest and land-grabbing in some Member States; notes that with reference to land ownership, it is first and foremost for the relevant authorities of the Member States to act and to put the necessary systems in place to prevent and avoid fraud; highlights that all allegations or suspicions concerning fraud and the misuse or mismanagement of Union funds should be addressed to OLAF and EPPO; in this regard notes the importance of a transparent and strong governance system and further calls on the Commission to increase efforts to prevent and detect fraud;
262. Acknowledges the Commission proposal for a new delivery model including a capping combined with a degressive mechanism to ensure that CAP funds are distributed in a weighted manner, such that the payments per hectare are on a reducing scale relative to the size of the holding/farm; is of the opinion that a capping, with the introduction of labour offset before capping is insufficient to guarantee a fairer allocation of direct payments; in addition, supports the idea of a redistribution mechanism; urges the Commission to include a proposal for a maximum amount of direct payments per natural person as beneficial owner of one or more companies; underlines that it should not be possible to receive Union-subsidies amounting in millions of euro to three-digits in one MFF-period;

*Reservations issued by the DG AGRI Director-General*

263. Endorses the reservations issued by the DG AGRI director-general in DG AGRI's AAR for 2018 (at p.145);

*Czech Republic*

264. Is concerned that <sup>(25)</sup>:
- the Commission is currently following up on allegations of conflict of interest in the Czech Republic based on Article 61 of the Financial Regulations; in January-February 2019 a coordinated audit was carried out by several Commission services (DG AGRI/DG REGIO/DG EMPL); DG AGRI audited the investment measures under Rural Development;
  - the Commission enquiry is ongoing and as a precautionary measure and until the situation is clarified, no payments from the Union budget under the ESI Funds are being made to companies directly and indirectly owned by PM Babiš that could be potentially affected by the alleged conflict of interest;
  - in relation to the Rural Development Fund, the Commission is not reimbursing to the Czech authorities the amounts related to Agrofert projects that could be potentially affected by the alleged conflict of interest;

<sup>(25)</sup> See replies to Written questions 3 and 18, questionnaire to Commissioner Hogan for the Hearing in CONT on 17 October 2019.

265. Calls on the Commission, in cases of non-compliance with the rules, to take appropriate measures to protect the Union budget including corrective actions for the past where this is provided for;
266. Calls on the Commission to cautiously supervise the current process in the Czech Republic, paying particular attention to payments made to companies directly and indirectly owned by the Czech Prime Minister or other Members of the Czech Government;
267. Calls on the Commission to cautiously supervise the process of recovering misused funds in order to ensure that the Czech Republic will take legal steps to enforce remedy from those responsible for the misuse of Union funds;
268. Calls on the Commission to keep Parliament's responsible committee and the general public informed about all the findings of the audits immediately in full respect with the principles of transparency and legal certainty which are part of the rule of law principles; calls on the Commission to inform the Parliament's responsible committee if any possible conflict of interests related to the Czech government continues after the audits are officially completed or if the Czech Authorities object to implementing any corrective measures on political or other non-legal grounds;
269. Calls on the Commission to carefully scrutinise whether the political situation in Czech Republic fully respects rule-of-law principles and to take any reasonable steps to protect the rule of law as one of the key principles of the Union if it finds that this principle is indeed threatened;

#### *Slovakia*

270. Calls on the Commission to carefully scrutinise the replies given in August 2019 by the Slovak authorities about the legislative measures they are taking to improve the correctness and transparency of the 'Land Registry' (cadastre), the follow-up on the allegation of fraud, the recoveries as well as about a new methodology implemented by the Slovak Paying Agency (APA) for the treatment of double claims;
271. Calls on the Commission to continue keeping Parliament informed in a timely manner about the evolution of the files in Czech Republic and in Slovakia;

#### *Hungary*

272. Notes that as regards Hungary, following the results of OLAF investigations, DG AGRI audits of 2015 and 2017 found a systemic lack of verification of conflict of interest in public procurement procedures under 2007 to 2013 Rural Development Programme;
273. Welcomes the facts that:
  - the Commission decided the application of financial corrections totalling around EUR 6,5 million;
  - the Hungarian authorities committed to remedy the situation for the programming period 2014 to 2020, including appointing an audit company that would conduct the review of public procurement processes;
274. Calls on DG AGRI to closely monitor the situation in Hungary and to report in a timely manner on the follow-up to Parliament;

#### *Land grabbing*

275. Notes with concern that the Commission states <sup>(26)</sup> that 'According to the EU legislation the beneficiaries entitled to payment are those who farm the land. The parcels declared by a beneficiaries need to be at the farmer's disposal on a given reference date fixed by a Member State (...). If the land is taken by force, then there is a rule of law issue and the judicial system of the Member State should act. The Commission can assist the Member State, if necessary. Some Member States have asked the beneficiaries to provide evidence that they are legally entitled to farm the land. Others have not. It is up to the Member States to regulate this issue';
276. Is deeply concerned about severe allegations of land-grabbing sometimes with the support of oligarchic structures with potential facilitation by governments and public authorities in some Member States; calls on the Commission to develop common guidelines for conflicts of interest of high-level politicians; urges the Commission together with the Member States to develop effective legal instruments to respect rule of law and avoid fostering oligarch structures drawing on Union agricultural funds; acknowledges the measures undertaken by the Commission to improve e.g. the land parcel identification system in some Member States, to improve the impartiality of the work of paying agencies as well as audit authorities;

<sup>(26)</sup> See reply to Written question No 41, questionnaire to Commissioner Hogan for the Hearing in CONT on 17 October 2019.

277. Regrets that it appears from the reply given by the Commission that for the DG AGRI services the respect of the rule of law is mainly an issue for the Member States;
278. Calls on the Commission to submit a proposal to amend the CAP rules with a view to avoiding a situation in which Union funds are paid out in respect of land that has been taken by force, acquired illegally or fraudulently, or in respect of which ownership has been falsely declared, possibly without the knowledge of the true owners or, in the case of state-owned land, of the public bodies concerned;
279. Calls on the Commission to set up a mechanism ensuring that the affected farmer/beneficiaries will be given the opportunity to lodge a complaint with the Commission in cases of land grabbing, and that they are able to benefit from adequate protection mechanisms;
280. Calls on the Commission to thoroughly ensure that the rule of law is applied in all Member States and to ensure that the juridical system is able to work independently to guarantee independent investigations of legal cases; welcomes the application of possible stricter conditionalities in CAP funding;
281. Calls on the Commission to review and analyse Member State legislation and policies to prevent land grabbing and to formulate guidance on best practices; invites the Member States to apply good legislative practices aimed at restricting land grabs; calls on the Commission to increase efforts to prevent and detect fraud; urges Member States, together with the Commission, to develop proper Union-level legal instrument to prevent land-grabbing;
282. Recalls the Parliament's position <sup>(27)</sup> on farmland concentration and reinforces its call on the Commission to establish an observatory service for the collection of information and data on the level of farmland concentration and tenure throughout the Union; calls on the Commission to make use of and combine the systems and databases at its disposal in order to identify the ultimate beneficial owners in the case of agricultural holdings which form part of a larger corporate structure; notes the development of a Union-wide business register, thereby linking farm holdings with a unique business identifier at Union level, to better distinguish the final destination of CAP funds;

*Young farmer scheme*

283. Welcomes the fact that according to the Commission's Agriview Data <sup>(28)</sup> 'provisional data suggest that the total number of beneficiaries has increased in claim year 2018 by some 28 %, from 364 153 to 466 006. The total amount raised by 53 %, from EUR 390 million in 2017 to EUR 600 million in 2018' (AGRIVIEW DATA);
284. Regrets that, as to the support to young farmers via rural development schemes, the Court concluded in its Special Report No 10/2017 that the measures are generally based on a vague needs assessment and that there is no real coordination between Pillar I payments with Pillar II support to young farmers;
285. Calls on the Commission to follow the recommendations issued by the Court as to the post 2020 programming period and, in particular, to adopt (or require Member States to indicate, in line with the shared management provisions) a clear intervention logic for the policy instruments addressing generational renewal in agriculture; proposes that the intervention logic should include:
- a sound assessment of young farmers' needs;
  - an assessment of which needs could be addressed by Union policy instruments and which needs can be or are already better addressed by Member States' policies as well as an analysis of which forms of support (e.g. direct payments, lump sum, financial instruments) are best suited to match the identified needs;
  - a definition of smart objectives, making explicit and quantifiable the expected results of the policy instruments in terms of expected generational renewal rate and contribution to the viability of the supported holdings;

<sup>(27)</sup> European Parliament resolution of 27 April 2017 on the state of play of farmland concentration in the EU: how to facilitate the access to land for farmers (OJ C 298, 23.8.2018, p. 112).

<sup>(28)</sup> See reply to Written question No 39, questionnaire to Commissioner Hogan for the Hearing in CONT on 17 October 2019.

**Global Europe***The Court's findings*

286. Welcomes the positive evolution of the RER as established by the RER studies ordered by DG DEVCO and DG NEAR <sup>(29)</sup>;
287. Notes with concern, as to the DG NEAR RER study; that, according to the Court:
- there is scope for improving the degree of judgement left to the auditors when estimating the errors for individual transactions;
  - the number of transactions where no substantive testing had been performed due to the full reliance in previous control work has doubled in 2018 by comparison with 2017;
  - over-reliance on the audit work of others could affect the achievement of the main objective of the RER study by impacting the RER;
288. Notes with deep concern, as to the DG DEVCO RER study, that:
- the RER study does not constitute an assurance engagement or an audit;
  - the RER contractor has significant scope for interpretation and the RER study contract is concluded for only one year at a time so the contractor and approach may change each year;
  - the Court has detected deficiencies, such as the very few on-the-spot checks performed on transactions, the incomplete checks on public procurement procedures and calls for proposals and the estimation of errors;
  - the Court has identified errors and inconsistencies in the calculation and extrapolation of individual errors;
  - the Court has noted errors in the contractor's working papers, such as arithmetical errors and the fact that the checks did not cover all the expenditure eligibility criteria;
  - in the case of no substantive testing due to reliance placed on previous control, the errors identified by the previous controls are not extrapolated to the untested part of the expenditure; which decreases the error rate;
289. Notes that the Court considered that the number of audited transactions in 2018 was not sufficient to estimate the level of error and that it took this decision following its general strategy to reduce its substantive testing and partially rely on the so-called 'work of others'; proposes the Court to increase the number of audited transactions in order to provide an estimated level of error for the chapter Global Europe;
290. Regrets that the Court considered that the number of audited transactions in 2018 was not sufficient to estimate the level of error and that it took this decision following its general strategy to reduce its substantive testing and partially rely on the so-called 'work of others';
291. Points out that, of the 58 transactions examined by the Court, 11 were affected by errors and that the Court identified five quantifiable errors that had a financial impact on the amount charged to the Union budget;
292. Notes with concern that despite good scores in terms of error rate, DG DEVCO in its AAR for 2018:
- points out that as to the grants in direct management 4,64 % of the total amount audited in 2018 were identified as non-eligible by external auditors (at p. 57);
  - mentions that in indirect management with beneficiaries countries, 3,77 % of the amount are non-eligible (at p. 66);
293. Regrets that the Court experienced a lack of cooperation from two international organisations: the United Children's Emergency Fund and the World Food Programme, to the timely forwarding of essential supporting documents;

<sup>(29)</sup> DG DEVCO: 0,85 % in 2018 compared with 1,18 % in 2017, 1,67 % in 2016, 2,2 % in 2015; DG NEAR: 0,72 %.

294. Regrets that the Court found that despite efforts to exclude from its calculation recoveries on pre-financing, cancelled recovery orders and earned interest, the reliability of the 2018 figures regarding DG ECHO corrective capacity is impaired by undetected errors that led to an overstatement of its corrective capacity;
295. Points out that the first reservation included in DG DEVCO's AAR for 2018 relates to grants managed by DG NEAR on behalf of DG DEVCO and that the scope of this reservation was tightened significantly in both 2017 and 2018 which is partly because of the RER has been below the materiality threshold three years in a row;
296. Notes with deep concern that considering the limitations of the RER study, the narrow scope of this reservation is not sufficiently justified;
297. Reiterates its support for the Commission's multimedia actions, which contribute to independent media coverage of Union affairs and help promote a common European public sphere; is, however, alarmed by the conclusions of the Rapid case review of the Court on Euronews, which highlights that Union financial support to Euronews lacks transparency and accountability and that monitoring and evaluation mechanisms are insufficiently robust; therefore, urges the Commission to answer all the concerns raised by the Court and to reassess its approach in cooperating with Euronews; moreover, urges the Commission to generally increase transparency and accountability of the budget used for multimedia actions, in particular by creating specific budgetary lines related to the different actions, as well as to conduct a full scale review of the use of the budget line;

*External Assistance and Management Report*

298. Regrets once again that the external assistance and management reports (EAMR) issued by the heads of Union Delegation are not annexed to DG DEVCO's and NEAR's AARs for 2018 as it is provided for in Article 76(3) of the Financial Regulation;
299. Welcomes the view expressed by the Commission<sup>(30)</sup> that the EAMR can be shared among the Members and officials of Parliament, the Council and the Court by any means (emails, copies) and that there is no obligation to consult those documents in a secure room;

*More transparency and more strategic approach of the development cooperation policy*

300. Points out that pooling resources from the European Development Fund (EDF), the Union budget and other donors in trust funds should not have as a consequence that money flagged for the development and cooperation policy does not reach its intended beneficiaries;
301. Highlights that the increasing use of financial mechanisms to deliver Union policies in third countries alongside the Union budget risks undermining the level of accountability and transparency of Union action; insists that the Commission ensures that the delivery of external aid is subject to the rule of law and respect for human rights in recipients countries; stresses, in particular, the need to guarantee that no Union funds support forced child labour and that no Union funds are used to finance textbooks and educational material which incite religious radicalisation, intolerance, ethnic violence and martyrdom among children;
302. Is concerned that problematic material in Palestinian school textbooks has still not been removed and is concerned about the continued failure to act effectively against hate speech and violence in school textbooks. Insists that salaries of teachers and education sector civil servants that are financed from Union funds such as PEGASE be used for drafting and teaching curricula which reflects UNESCO standards of peace, tolerance, coexistence, and non-violence, as was decided upon by Union education ministers in Paris on 17 March 2015; and European Parliament decision of 18 April 2018 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission<sup>(31)</sup>;
303. Notes that Commission may use Union funds for security purposes in order to reach a more efficient development cooperation; a proper legal basis and the full transparency of the funded actions must be secured;

<sup>(30)</sup> See reply of Commissioner Mimica to written question 51 (CONT hearing of 28 November 2019).

<sup>(31)</sup> OJ L 248, 3.10.2018, p. 27.

304. Is concerned by the fact that, due to security risks, auditors are often not able to verify in many countries, as for instance in Libya, whether the receivers of Union funds are respecting high standards of human rights; calls on the Commission to ensure that the EDF and the Union budget do not finance projects through the Union Emergency Trust Fund (EUTF) implemented by the governmental and local forces (militias) that are involved in serious human right violations, especially in countries such as Libya and Sudan. Call on the Commission to consider to stop the Union aid in case its independent auditors cannot double-check the effective use of the Union money in these countries;
305. Expresses serious concern at the way in which the EUTF for Africa is being used to fund the Libyan Coast Guard without showing consideration for the very serious human rights violations being committed in Libya;
306. Deplores the limited role the Parliament has in the supervision and governance of the EUTF; considers it fundamental that the Parliament is able to monitor the activities of the Operational Committee <sup>(32)</sup>;
307. Recalls that the possibility for the Commission to create and manage Union trust funds is intended:
- to enhance the international role of the Union, as well as strengthen the visibility and efficiency of its external action and development assistance;
  - to provide for a faster decision-making process in the selection of the measures to be implemented, which is crucial in emergency and post-emergency actions;
  - to ensure the leverage of additional resources to devote to external action; and
  - to increase, via the pooling of resources, coordination between different Union donors in selected areas of intervention;
  - to provide the Trust Fund's managers with strategic priorities and guidelines focused on ensuring tangible results and impacts;
308. Highlights that the increasing use of other financial mechanisms to deliver Union policies alongside the Union budget risks undermining the level of accountability and transparency as reporting, audit and public scrutiny arrangements are not aligned;
309. Notes with concern the large number of contracts awarded to a very limited number of national development agencies; observes that the fifty largest contracts (grants and procurement) and Delegation Agreements attributed since 2010 to national agencies were granted to agencies of only seven nationalities with a high concentration by country (42 %, 25 % and 17 % of the total amount granted respectively to the three biggest beneficiaries <sup>(33)</sup>); warns of the risk of re-nationalisation of, and a growing influence on, the EU development, cooperation and neighbourhood policies, which is in contradiction with the sought-after greater integration of the Union external policy; urges the Commission to make access to the pillar assessment public; calls on the Commission to review and strengthen the tendering and contracting procedures to avoid any distortion of competition between this limited number of strongly subsidised national agencies and other public/private entities with a clear European vocation;
310. Demands that the Commission include clear and transparent human rights clauses in its Contribution Agreements concluded with Implementing partners (UN agencies, Member State development agencies) in order to avoid situations where the EU could indirectly finance projects that violate human rights;

#### *Recommendations*

311. Calls on the Commission to:
- take steps to reinforce the obligation on international organisations to forward the Court, at its request, any document or information necessary to carry out its task as provided for in the Treaties;

<sup>(32)</sup> European Parliament resolution of 23 October 2019 on the Council position on the draft general budget of the European Union for the financial year 2020, P9\_TA(2019)0038, paragraph 51.

<sup>(33)</sup> See reply and annex to Written question No 4, follow-up questions to Commissioner Mimica for the Hearing in CONT on 18 November 2019.

- adapt DG NEAR's and DG DEVCO's RER methodology to limit 'full-reliance' decisions, to monitor its implementation closely and to redress all the deficiencies detected by the Court;
- revise the DG ECHO's calculation of the 2019 corrective capacity by excluding recoveries of unspent pre-financing;
- indicate in its letter accompanying the EAMR that those documents can be shared among the Members and officials of Parliament by any means (emails, copies) and that there is no obligation to consult those documents in a secure room;
- consider putting an end to trust funds that are unable to attract significant contributions from other donors or that do not deliver on their objectives and targets;
- to regularly and systematically monitor whether the potential impacts of funded activities and projects on fundamental rights are identified and effectively mitigated;
- ensure that no Union funds support forced child labour;
- ensure that all third entities only use Union funds to provide for textbooks and teaching material that reflect common values and fully comply with UNESCO standards promoting peace, tolerance and co-existence in school education;
- ensure that Union funds are not used for purposes different from the assigned areas;
- provide detailed information on the decisions taken in that the Operational Committee and ensure that the Parliament is represented at its meetings <sup>(34)</sup>;

312. Insists that an important criterion for the Commissions prioritising of the external aid should be the presence of rule of law and the respect of human rights in the recipient country; insist that the Commission should thoroughly verify the use of Union funds by third entities to ensure that no funds are allocated or linked to any cause or form of terrorism and/or religious and political radicalisation;

*Court's Special Report No 35/2018: Transparency of Union funds implemented by NGOs: more effort needed*

313. Acknowledges the important role that independent NGOs play within and outside of the Union; recognises the critical contribution of civil society worldwide in promoting and defending human rights, contributing to development and protecting democracy, delivering humanitarian assistance; takes account of the fact that some operate in very difficult or dangerous context or in areas where their contribution is indispensable; promoting social inclusion and employment, as well as ensuring access to education, to health and contributing to the protection of the environment and to the fight against corruption;
314. Notes that the Commission implements 1,7 % of the Union budget and 6,8 % of EDFs through NGOs interventions;
315. Calls on the Commission to propose a harmonized definition of NGOs compatible with Member States legislations;
316. Points out that transparency is one of the budgetary principles put forward by the Financial Regulation; it requires the Commission to make available, in any appropriate and timely manner, information on recipients of Union funds;
317. Acknowledges that similar shortcomings as those reported to be concerning NGOs are relevant for all Union beneficiaries, such as private companies, public authorities, etc.;
318. Stresses that the Court identified five elements in the implementation of Union funds by NGOs in which the Commission is not sufficiently transparent:
- the classification of NGOs in the Commission's accounting system ABAC;
  - the recording of information on funds and activities implemented by NGOs;

<sup>(34)</sup> European Parliament resolution of 23 October 2019, paragraph 51.

- the Commission's collection and checking of the information on Union funds implemented by NGOs;
  - weaknesses of the information disclosed on actual payments or about entities receiving funding through sub-granting;
  - the incomplete information provided by United Nations bodies on the contracts awarded to NGOs;
319. Notes that most of the Court's recommendations are now already covered by the Financial Regulation as adopted in 2018 and that the Commission has already implemented most of Court's recommendations; calls on the Commission to focus on the implementation of these recommendations that should be applicable to all Union beneficiaries in line with the Financial Regulation and non-discrimination principles;
320. Requests the Commission to quickly develop guidance and strong criteria to identify NGOs in its accounting system and to verify the self-declared data submitted by the applicants;
321. Observes that there are different registration systems for each DG to register Union funds applicants; calls on the Commission to create a single entry point so as to ensure consistency of the data in the Financial Transparency System and to give criteria and guidelines for the definition of NGOs and other categories of beneficiaries;
322. Calls on the Commission to exclude NGOs or any other applicants that repeatedly or intentionally present wrongful declarations of previous experience errors and to check them more thoroughly;
323. Welcomes the new financial regulations efforts on simplification, such as the introduction of the *ex ante* pillar assessment, and requests the Commission to apply a consistent interpretation of the applicable rules of the Financial Regulation notably as regards sub-granting among the different services, taking into account sectoral specificities;
324. Asks the Commission to standardise and improve the accuracy of information published in the Financial Transparency System making sure that all beneficiaries contracted by the Union are disclosed together with the amount of funding awarded by mid 2021;
325. Regrets that the Commission did not check whether United Nations bodies disclose information on the grants awarded with Union funding; demands that the Commission perform those checks in a consistent manner;
326. Asks the Commission to improve the information collected, by enabling the various grant management systems to record the funding received by all beneficiaries contracted by the Union, not only the lead beneficiary, making this information usable for analysis and treatment and welcomes in this context the upcoming launch of the OPSYS within external Union funding;
327. Reiterates the urgent request to the Commission to implement the judicial decisions both of the Court of Justice <sup>(35)</sup> and the Permanent Court of Arbitration <sup>(36)</sup> and to fully recognise International Management Group's status as an international organisation;
328. Asks the Commission to report to the discharge authority as soon as possible on the measures taken;

### **Security and citizenship**

#### *The Court findings*

329. Welcomes the fact that for the third consecutive year, the Court provided a separate chapter on Security and Citizenship in its annual report; takes note that the Court's findings do not provide a specific error rate for this spending area as it only represents around 2 % of the total Union budget;
330. Points out that the public and political interest in this area is far higher than its financial share; calls on the Court to consider auditing additional transactions and provide an estimated level of error for the chapter Security and Citizenship;

<sup>(35)</sup> Judgement of the Court of Justice of 31 January 2019, *International Management Group v European Commission*, Joined Cases C-183/17 P and C-184/17 P, ECLI:EU:C:2019:78.

<sup>(36)</sup> PCA Case No. 2017-03.

331. Points out that according to the Court there is still margin to make better use of Union funds under this programming period by ensuring that Member States reimburse actions only when all conditions for payment are met or that contracts are only awarded after an appropriate and consistent evaluation of all selection and award criteria has been conducted;
332. Notes that Member States have significantly increased the implementation rate of their national AMIF/ISF programmes; is concerned, however, by the fact that the value of unspent amounts continue to rise which may increase the pressure on national authorities as programme arrive towards closure;
333. Notes that the Court's audit of the management and control systems of seven<sup>(37)</sup> Member States authorities responsible for implementing national AMIF/ISF programmes revealed that they had in general sufficient controls in place to address the requirements of the regulations albeit some weaknesses were detected (point 8.10 of the Court's annual report for 2018); notes that the same was true for DG HOME's internal procedures for the evaluation of grant applications and authorisation of payment claims (point 8.13 of the Court's annual report for 2018);
334. Calls on the Commission to ensure that when making administrative checks of payment claims it systematically uses the documentation it has required its grant beneficiaries to provide, in order to properly examine the legality and regularity of the procurement procedures these beneficiaries have organised;
335. Calls on the Commission to instruct the Member States authorities responsible for national AMIF/ISF programmes to adequately check the legality and regularity of the procurement procedures organised by the funds beneficiaries when making administrative checks of their payment claims;
336. Notes with concern that regarding performance, the Court indicates in its annual report for 2018 (points 8.19 and 8.20) that Member States do not always use appropriate indicators at project level and, as a result, the impact of the funded projects cannot accurately be measured;

*DG HOME's AAR for 2018*

337. Welcomes the emphasis put by the Commission on the setting up of a structured Union system on resettlement that provides a legal and safe pathway to the Union for vulnerable people in need of international protection;
338. Regrets the fact that the current state of play in some of the Hotspots co-financed by the Union, does not correspond to the best practices and standards as regards in particular food and health care;
339. Regrets the fact that DG HOME did not establish any KPIs regarding the situation of the most vulnerable migrants and, in particular, child migrants and migrant women and girls in order to prevent and avoid abuse and trafficking; deplores the systematic use of detention;

*Reservations*

340. Regrets the fact that it takes such a long time to remedy the problems detected in Germany since 2013 considering that the scope of the reservation is not so large;
341. Is concerned by the significant weaknesses identified in the management and control systems of European Asylum Support Office (EASO) that justified the adoption of a reservation on reputational grounds;
342. Notes the reservations issued by the director general for DG HOME in the DG HOME's AAR (p. 108);

*Recommendations*

343. Recommends that:
  - the Court continue to provide a separate chapter for security and citizenship in its annual report;
  - DG HOME introduce a KPI relating to situation of the most vulnerable migrants and in particular child migrants and migrant women and girls in order to prevent and avoid abuse and trafficking;

<sup>(37)</sup> Belgium, Germany, Spain, Greece and Sweden for AMIF; Lithuania and Romania for the ISF.

- the Commission require Member States, in the annual accounts of their national AMIF/ISF programmes, to break down the nature of the amounts they report into recoveries, pre-financing and expenditure actually incurred; and
- actual spending per fund be indicated in the Commission DGs' AARs from 2018 onwards;

*The Court's Special Report No 20 /2019: Information systems supporting border control strong tool, but more focus needed on timely and complete data*

344. Welcomes the fact that, according to the Court, Member States systems examined by the Court are generally well designed to facilitate border checks and that the visited Member States <sup>(38)</sup> generally complied with the applicable legal framework;
345. Notes with concern that the Court found in its Special Report No 20/2019 that:
- some countries' national Schengen Information System II (SIS II) and Visa Information System (VIS) components facilitate more efficient border checks than others;
  - there were long delays in the implementation of IT solutions for European Border Surveillance System (Eurosur) and Passenger Name Record (PNR) both at Union and national level; this prevented border guards and other authorities of the intended benefits of these systems;
  - it takes a long time for the Member States to remedy weaknesses identified in the Schengen evaluation mechanism which is due to a lack of binding deadlines for the adoption of evaluation reports and the implementation of corrective actions;
  - that more than half of the border guards involved in the Court's survey had at some point allowed people to cross borders without consulting the information systems;
  - there is a discrepancy between the number of visas issued and the number of visas checked;
  - there is little reference to data quality control in the legal acts governing the European information systems;
  - although the European Agency for the operational management of Large-Scale Information systems in the area of freedom, security and justice (eu-LISA) performs automated monthly quality checks of the data in SIS II, the results are available only to the Member States concerned and therefore, it is not possible for the agency or the Commission, to evaluate the progress individual countries have made in addressing data quality issues;
  - neither eu-LISA nor the Commission have any enforcement powers to ensure that Member States correct data quality issues in a timely manner;
  - border guards do not always get timely and complete data from the information systems;
  - except in the case of European Dactyloscopy (Eurodac), there are generally no compulsory deadlines on entering data; for example, Eurosur is meant to provide real-time information on the situation at the borders; however, while some of the countries covered by the Court's audit do indeed enter information in Eurosur on a real-time basis, others do so only once a week;
  - since Eurodac started operating in 2013, there has not been a single year in which all Member States have transmitted the required information on time;
  - delayed transmission can lead to the wrong country being designated responsible for processing the asylum application;
346. Calls on the Commission to:
- promote quickly the use of SIS II and VIS training environments;
  - speed up the correction of weaknesses detected during Schengen evaluations;
  - analyse discrepancies in visa checks to improve data quality control procedures;

<sup>(38)</sup> Finland, France, Italy, Luxembourg and Poland.

- reduce delays in data entry;
- ensure better connectivity between the five existing information systems in order to ensure correct and timely data flows;
- encourage continuous good practices and behaviour in the supply and support of the information systems;

*Special Report No 24/2019: Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results*

347. Notes with concern that the Court found in its Special Report No 24/2019 that:

- the implementation of the asylum procedures in Greece and Italy continues to be affected by long processing times and bottlenecks;
- as in the rest of the Union, returns from Greece and Italy are low;
- no data is collected on the effectiveness of return procedures and there are no indicators measuring the sustainability of returns, such as the number of returned migrants who attempt to come back to the Union or the success of Assisted Voluntary Return and Reintegration (AVRR) reintegration packages;
- whilst the registration and fingerprinting of migrants in the hotspots had improved significantly since the audit performed by the Court in 2017 (Court's Special Report No 6/2017), the temporary emergency relocation schemes did not reach their targets and so did not effectively alleviate the pressure on the Greek and Italian asylum systems;
- although the 20 Union support actions in Greece and Italy examined by the Court addressed the needs identified, weaknesses remained in their design, most of the projects had not fully achieved their targets and the performance framework was set up late and without targets; moreover, not enough performance data was available;
- the capacity to process asylum cases had increased in both Greece and Italy, but that it was still not sufficient to tackle the increasing backlog in Greece;
- since there are fewer new applications in Italy, the backlog of asylum and return procedures is decreasing, but there is insufficient capacity to process the high number of appeals to the first decision;
- far fewer actual migrants are returned than return decisions made in both Greece and Italy, as in the Union as a whole; this is due, for instance, to the length of time it takes to process asylum cases, insufficient capacity in detention centres, difficult cooperation with the migrants' country of origin or migrants simply absconding once the decision is taken to return them;

348. Calls on the Commission and the agencies to:

- use lessons learned to build on experience for any possible voluntary relocation mechanism in the future and to propose new measures to tackle effectively any emergency situation like the migration crisis of 2015, which are acceptable for the Member States;
- strengthen the management of emergency assistance and national programmes under the Asylum Migration and Integration Fund;
- enhance EASO's operational support to Member States for asylum procedures;
- adjust Frontex's return support and experts' deployment in the hotspots;
- reinforce the management of the national asylum systems;
- support further national return procedures; and the collection of performance data on the return procedures to facilitate policymaking, performance evaluation and research;

349. Calls on the Commission to:

- improve the functioning of the hotspot system in order to ensure dignified reception conditions and efficiency in the management of arrivals;
- carefully monitor the efficiency of the actions led by Frontex in order to better protect the external borders of the European Union;
- strengthen the effectiveness and compliance with fundamental rights of the external border control of the EU and enhance the cooperation with national authorities;
- take the needed measures to address the root causes of migration;
- is particularly concerned by the insufficient return policy to the third countries although it is a key priority. The return policy and the fight against illegal migration are essential to develop an efficient migration policy and a real partnership with third countries;
- provide assistance to the countries of origin so that potential migrants don't choose the hazardous journey to Europe, to increase the aid for countries of origin and to ameliorate the living conditions and perspectives for the local population and to fight against human traffickers exploiting desperation and vulnerability;

*European Fund for Strategic Investments*

350. Notes with concern the Court's observations that the reported estimate of investment mobilised does not take account of the fact that some EFSI operations replaced other EIB operations and Union financial instruments and the fact that a part of the EFSI support went to projects that could have been financed from other sources of public or private finance under different conditions;
351. Regrets the Court's findings that even though the EFSI support has enabled the EIB to quadruple the volume of its higher risk lending activities compared to 2014, the value of these financial operations signed remain lower than expected;
352. Endorses the Court's recommendations for:
- promoting the justified use of higher-risk EIB products under EFSI;
  - encouraging complementarity between Union financial instruments and Union budgetary guarantees;
  - improving the assessment of whether potential EFSI projects could have been financed from other sources;
  - estimating better the investment mobilised;
  - improving the geographical spread of EFSI supported investment;
353. Considers that deepened preliminary needs assessments in various sectors are of primary importance for (i) detecting investment gaps and barriers in different Member State or regions, (ii) adequately assessing the nature and magnitude of market failures and (iii) designing the most appropriate approach/programmes for mitigating these investment gaps;
354. Calls for an objective overview of the additionality and added value of the EFSI projects as well as their consistency with Union policies or other EIB operations in order to become more policy driven than demand driven;

355. Recalls the need to provide clear and accessible information on the economic, social and environmental impact and added value achieved by EFSI funded projects; stresses that the additionality assessment of all EFSI-supported projects should be duly documented;

*Court's Special Report No 15/2019: Implementation of the 2014 staff reforms package at the Commission: big savings but not without consequences for staff*

356. Regrets that the Commission does not provide the discharge authority with exact data about burnout cases; notes, however, that the Commission has launched a 'fit at work' strategy including a health monitoring tool on absences and their causes, measures to achieve sound absence management, and the new medical control unit<sup>(39)</sup>; is thus of the opinion that the Commission is equipped with all the necessary tools to detect, address, monitor and report on burnout cases and distinguish them from long-term sick leaves; calls on the Commission to provide the Parliament's Committee on Budgetary Control with data on burnout cases within the discharge process; deplors in this context the follow-up answers provided by the Commission who seems to justify a higher rate of sickness and long-term absence for women on 'a number of serious diseases or conditions that are specific to women' and on 'societal trends (...) with women generally taking on a higher share of family responsibilities, including for taking care of sick children and relatives'<sup>(40)</sup>;
357. Is concerned about the growing problem of the purchase power disparity suffered by the European civil servants posted to Luxembourg; takes note of the findings of the study carried out by AIRINC<sup>(41)</sup> at the request of the Commission that corroborates the disparity problem and sets it at 10,5 % (exceeding the trigger percentage of 5 % established by the Staff Regulation), mainly due to the cost of living in Luxembourg; acknowledges that the Commission will not be able of making a legislative proposal covering the matter of correction coefficients before the finalisation of the report on the salary method which is due by 31 March 2022; in the meantime, however, urges the Commission to assess the feasibility and the scope of the temporary targeted measures included in the AIRINC report, in particular the introduction of a housing allowance scheme;
358. Notes with concern the observations of the Court regarding the 2014 staff reform package<sup>(42)</sup>; welcomes the Court's recommendations as well as the Commission's readiness to accept them; supports the position expressed by its Committee on Budgetary Control<sup>(43)</sup> on the matter; deplors the very negative impact of the 2014 reform package on a number of crucial aspects of human resources within the Union institutions and thus on their attractiveness as employer, all this in pursuit of open-to-questions savings; warns of the serious consequences that any budgetary cut in administration or staff reduction may have in the future of the European civil service and the implementation of the Union's policies;
359. Reminds the Commission its request to carry out a rigorous and up-to-date analysis of the impact of the design of open spaces in the frame of the 2017 discharge<sup>(44)</sup>; takes note of the Communication 'The workplace of the future in the European Commission'<sup>(45)</sup> and welcomes, in particular, the principle according to which 'staff affected should be involved throughout the process of conceptualising and implementing the new workspace'; regrets that the concept of staff well-being adopted in the Communication does not include psychological conditions -such as anxiety, stress or burnout- for which the workplace plays a fundamental role; emphasises the need for a general analysis to serve as a basis for a case-by-case assessment before future substantial office arrangements in the Commission, which should always involve the affected members of staff;

<sup>(39)</sup> Court of Auditors' Special Report No 15/2019 'Implementation of the 2014 staff reforms package at the Commission: big savings but not without consequences for staff'.

<sup>(40)</sup> Letter on 26.11.2019 of the Acting Secretary-General to Ms Monika Hohlmeier and Ms Isabel García Muñoz, chair and vice-chair respectively of the Parliament's Committee on Budgetary Control (ARES(2019) 7291393).

<sup>(41)</sup> AIRINC, Study on the cost of living for EU staff posted in Luxembourg — Final report, September 2019.

<sup>(42)</sup> Special Report No 15/2019: Implementation of the 2014 staff reform package at the Commission — Big savings but not without consequences for staff.

<sup>(43)</sup> Working document on Implementation of the 2014 staff reform package at the Commission — Big savings but not without consequences for staff.

<sup>(44)</sup> Miscellaneous issues, paragraph 205 of the European Parliament resolution of 26 March 2019 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2017, Section III — Commission and executive agencies (OJ L 249, 27.9.2019, p. 31).

<sup>(45)</sup> Communication to the Commission 'The Workplace of the Future in the European Commission' (C(2019)7450/F1).

## Administration

### *Findings of the Court*

360. Takes note of the fact that the overall audit evidence of the Court indicates that the level of error in spending on 'administration' was not material;
361. Is deeply concerned that the Court detected a greater number of internal control weaknesses than in previous years in the management of family allowances for members of staff and regretted that the PMO did not monitor sufficiently the accurate and timely updating of personal files to ensure that the basis used to calculate salaries and allowances is correct;
362. Is deeply concerned by the fact that the Court found weaknesses in the procurement procedures organised by the Commission to improve the security of people and premises but notes that these weaknesses resulted mostly from the urgency of concluding contracts;
363. Calls on the Commission to implement a more transparent appointment procedure for what concern the all position especially the management related ones; calls on the Commission to clarify previous appointment procedure that lack of transparency and accountability;
364. Calls on the Commission to improve as soon as possible its systems for managing statutory family allowances by increasing the frequency of checks of staff members' personal situation and reinforcing consistency checks on the declaration of allowances received from other sources, especially, when there are reforms of family allowance systems in Member States;
365. Notes the continuous improvement of the gender equality among staff members; recalls the existing lack of equal representation of men and women in managerial positions;
366. Points out that according to the written answers 10 Member States were significantly underrepresented in the grades AD5-AD8. The Member States concerned were: Denmark, Germany, Ireland, France, Luxembourg, the Netherlands, Austria, Portugal, Finland and Sweden. Notes with concern that civil servant positions at the institutions might not be attractive for civil servants from certain member states, which makes it difficult to balance out the geographical differences;
367. Notes the growing number of removed entities from Transparency Register, points out, however, the importance of the follow-up on the individuals and legal entities removed from the Transparency Register; calls the Commission to pay more attention to the validation and sample checks of entities of the Transparency Register needs more resources;
368. Calls the Commission to carry out an assessment to review the internal mechanisms regarding whistleblower protection that are already in place, including provisions about raising awareness for all staff members and trainings for the management who receives reports; Calls the European institutions to harmonise their respective staff regulations to protect whistleblowers;

### *Code of conduct of commissioners*

369. Recalls that Parliament was alerted in 2018 about the fact that in order to compensate more strict provisions inserted in the code of conduct regarding the cooling off period of the commissioners, the Secretary general of the Commission has considered the possibility to offer them new practical facilities (offices, IT, chauffeur) after the end of their mandate;
370. Notes that in its reply to Written Question No 64 preparing CONT hearing of 5 December 2019, Commissioner Hahn stated that:

'Former Members of the Commission, and in particular former Presidents, continue to be ambassadors of the EU, both in Europe and beyond. Most of them will continue to defend and promote the achievements of the Union after the end of their mandate, for example, when they are invited to speak at conferences or participate in public debates about Europe and the role of the Commission.'

In line with similar arrangements in national administrations and other institutions, the Commission decided at its meeting on 30 October 2019 to enable former Commission Presidents to carry out representational functions in an appropriate manner after the end of their mandate. Therefore, former Presidents should have access to certain very limited resources, for example logistical support, such as an office, and certain other assistance. Former Commissioners will have logistical support in the form of a "bureau de passage" and will be provided with certain communication material from the Commission. The Code of Conduct already recalls this duty in Article 11(1), first sentence. (...).'

371. Is of the opinion that the Commission should make the Commission special advisers status more transparent with a clear definition of their tasks and missions and provide Parliament with all the information related to the financial cost of its decision of 30 October 2019;
372. Reminds the Commission that Members of the Commission are subject to transparency requirements with regard to meetings they hold with organisations or self-employed individuals, full transparency is an obligation of Members and their members of Cabinet, they shall meet only those organisations or self-employed individuals, which are registered in the Transparency Register and they shall make public information on such meetings in accordance with the Commission Decision 2014/839/EU <sup>(46)</sup>;
373. Calls on the Commission to ensure that, after the cooling off period, the former Commissioners will not continue to benefit from the facilities offered by its decision of 30 October 2019; nor will they continue to benefit from the facilities in cases where they take up a different role;
374. Stresses that after ceasing to hold office, former Members of the Commission remain bound by their duty of integrity and discretion pursuant to Article 245 TFEU;
375. Calls the Commission to enforce the existing legally binding rules of the code of conduct regarding revolving doors both for the Commission and its agencies;

#### *EPPO*

376. Notes that according to article 3 of the EPPO regulation, the EPPO is established as an institutional body of the European Union whilst in the budget 2020 the EPPO is presented as an agency under the heading 'Commission'; is concerned that this state of play does not adequately guarantee the required independence of the EPPO and calls on the Commission to present the EPPO budget as an institution under future heading 7 (administration) together with the other bodies and institutions instead of under future heading 2 (Commission) with Justice and Home Affairs agencies; requests that the Commission takes into account the estimation of new cases opened and the pending caseload presented by EPPO to the institutions to establish a realistic budget and establishment plan; is strongly concerned that the current budget planning will prevent EPPO from becoming fully operational by November 2020;

#### *European schools*

377. Notes that, in accordance with the Financial Regulation of the European Schools, the Court has reviewed the Schools' consolidated annual accounts for the 2018 financial year, the accounts of the Central Office and the internal control systems (recruitment, procurement and payments) of two of the Schools (Bergen and Varese; notes that the Court has reviewed the work of the Schools' external auditor, which examined the accounts and internal control systems of seven Schools before consolidation took place;
378. Deeply regrets the fact that the Court was unable to confirm that the Schools' financial management in 2018 was compliant with the Financial Regulation, its implementing rules and the Staff Regulations;
379. Notes in particular that the Court's review of the internal control systems of the Central Office and of the two selected Schools revealed weaknesses in the control environment, in payment systems, in procurement procedures and in the documentation of the recruitment procedures; notes also that the Court found that they did not comply with the rules on staff recruitment;
380. Endorses the main recommendations issued by the Court in its annual report on the European Schools and, in particular, calls on the Board of Governors, the Central Office and the Schools to take immediate action to address the weaknesses detected in their accounting procedures and in the payment system; and continue to provide training and support to those involved in the preparation of the accounts;
381. Reiterates Parliament's view that a 'comprehensive review' of the European Schools system is urgently required; calls on the Commission -as a member but also as the major contributor- not only to provide guidance and support to the European Schools within the current administrative and governance structure, but also to monitor the implementation of the Court and the Commission's Internal Audit Service;

<sup>(46)</sup> OJ L 343, 28.11.2014, p. 22.

382. Urges the Schools to improve recruitment, procurement and payment procedures and calls for the progress to be provided to the Parliament until 30 June 2020;
383. Is very concerned by the Human Rights Watch report on the accessibility of European schools <sup>(47)</sup> for children with disabilities, which stresses the problems still being faced and where fully inclusive education is not provided to children with disabilities;
384. Calls on the European Schools to make a commitment to inclusive education in policy and practice;
385. Calls on the Commission, as main funder of European Schools in charge of the Union's implementation of the CRPD to drive the necessary reform process;

#### **Lessons learnt from the MFF for the programming period 2014 to 2020**

386. Is concerned that the programming period for the new MFF may start with a delay as did the ongoing MFF; notes that the scope of the European Green Deal was formulated before the new MFF proposal was communicated; urges the Member States and the Council to discuss and adopt priorities and a strategy to enter into MFF negotiation with Parliament as soon as possible;
387. Takes the view that public budgets are to be determined only after the setting of clear political objectives and designing precise policies;
388. Asks the Commission to ensure that the Union's financial planning for the programming period 2021 to 2027 adequately reflects any subsequently determined objectives; stresses Parliament's proposal to include new priorities in the MFF and allow flexibility within the MFF to deal with unforeseen events;
389. Invites the Commission to clarify the key assumptions behind the new MFF proposal in a comprehensive financial plan; observes that the principle purpose of such a plan would be to put the figures in the MFF for the programming period 2021 to 2027 into their proper economic and financial context;
390. Reiterates its concern that any delay in the adoption of the MFF 2021-2027 and the related legal basis for its implementation may lead to repetition of the delay in the implementation of the Union spending programmes at the beginning of the new programming period; calls on the Commission and the Member States to take all necessary measures to ensure smooth start of the new programming period;
391. Considers that good quality information could contribute to speedier – and better – decision-making;
392. Welcomes the fact that the Commission carried out a spending review covering all major programmes under the MFF for the programming period 2014 to 2020 and that this review aimed to combine a strategic review (focused mostly on prioritising programmes according to their added value and coherence with Union objectives) with an efficiency review (seeking how to improve the delivery of existing programmes by examining opportunities for streamlining and synergies, simplifying administrative rules, improving flexibility, and focusing more on performance); The Commission should make periodic reviews with better KPIs;
393. Welcomes the fact that the Court found that the Commission's analysis to be convincing with regard to the efficiency of spending;
394. Notes, that the spending review provides strong arguments in favour of measures for simplifying programmes, streamlining the budget, and increasing financial flexibility; notes that it identifies unexploited synergies between different programmes as well as opportunities to merge similar programmes in various policy areas;
395. Notes that the spending review also gives examples of unnecessarily complex, inconsistent rules often leading to misunderstandings and ineligible costs;
396. Is concerned about its conclusion that the success of simplification efforts so far has been limited;

<sup>(47)</sup> 'Sink or Swim: Barriers for Children with Disabilities in the European School System', 4 December 2018.

397. Calls for simplification wherever possible, for example by making greater use of simplified cost options and lump sums as an option for beneficiaries and by adopting usual accounting practices, as well as by implementing a single audit approach; highlights that the majority of Union subsidies should benefit citizens and that SMEs and family-owned or small and medium-sized farms should benefit the most; highlights also that errors made in the current programming period 2014 to 2020 need to be improved in the new MFF, especially in the area of regional development and cohesion;
398. Points out that further simplification can be ensured both at the level of programming, through limiting the number of regulations and avoiding unnecessary changes which can cause uncertainty, backlogs and errors; and at the level of effective implementation, in order to reduce the administrative burden for authorities and beneficiaries and to increase the accessibility of funds;
399. Welcomes the fact that for the programming period 2021 to 2027, the Commission proposes to reduce the number of spending programmes by a third and to make rules more coherent on the basis of a single rulebook;
400. Is convinced that to genuinely achieve simplification, the single rulebook should eliminate all unnecessary and complex rules, requirements and procedures; is of the opinion that it should not simply be a consolidation of the existing separate rulebooks into a single large volume;
401. Considers that simplification is not a goal in itself but a means to increasing the efficiency of Union action giving that way a better opportunity for small entities to be beneficiaries; calls on the Commission, therefore, when designing rules for Union programmes, to strike a balance between ease of implementation and effectiveness in achieving Union objectives and transparency;
402. Notes with concern that the spending review also explains how flexibility mechanisms proved to be insufficient to cope with emergencies during the current period; calls for changes to increase overall flexibility and ensure sufficient appropriations to cover unforeseen events;
403. Notes with regret the Court found that the spending review was less convincing with regard to strategic aspects, such as the Union added value of spending programmes and their coherence with Union objectives;
404. Agrees with the Commission that Union added value should be at the core of any discussion on the future Union budget;
405. Notes that the Commission identified the concept of Union added value as a guiding principle of the spending review exercise; expects the Commission to develop further and apply a robust and clearly defined concept of Union added value;
406. Considers that the concept of Union added value goes together with the principles of subsidiarity and proportionality;
407. Is convinced that the concept of Union added value is necessary not only to allocate resources but also to design and evaluate spending programmes;
408. Is of the view that only programmes with very high Union added value should receive full Union financing; proposes that financing should be limited for programmes with medium to high Union added value and that there should be no financing for programmes with low Union added value;
409. Insists that all funds that are committed must be used and spent in the most suitable way according to the principle of sound financial management in order to maximise impact;
410. Supports the idea of linking the Union budget more strongly to the country-specific recommendations outlined under the economic governance principles with the objective of encouraging growth-enhancing structural reforms in Member States; stresses that the recommendations must follow the principle of subsidiarity and focus on the essential, systemic issues such as improving competitiveness, strengthening the social and economic cohesion, business opportunities, cultural diversity, combating poverty and social exclusion, and securing jobs;
411. Calls for improving the funds' administration while enhancing the effectiveness of controls — these should include the measures taken in cases of systematic misuse of Union funds;

412. Stresses that controls to prevent the misuse of Union funds must be intensified in line with proportionality; where the Court identifies serious weaknesses in the quality and reliability of the national audit authorities, Union controls need to be strengthened; points out that the Court should identify a total failure of the national audit authorities, the MFF for the programming period 2021 to 2027 and should provide mechanisms for the Commission to manage the allocation of funds;
413. Stresses that the visibility of Union policies has to be enhanced; stresses that all legal provisions as regards information and communication have to be thoroughly implemented to ensure transparency and the wide dissemination of the funds' achievements;
414. Points out that financial instruments should always be tailor-made and complementary to grants, in order to maximise output on the ground; stresses that synergy with other policies and instruments should be enhanced so as to maximise the impact of the investment; is of the opinion that better results can be achieved while still doing so in a cost-effective way;
415. Considers it essential to equip Union spending programmes with strong and mutually consistent performance frameworks aligned with the Union's strategic objectives and MFF for the programming period 2021 to 2027;
416. Notes that it is important to further improve the performance monitoring and impact assessment of funding under the next MFF. A set of indicators and benchmarking tools can support on a regular basis the operational and political accountability regarding the implementation of funds;
417. Notes that the objectives of the programmes for the period 2021 to 2027 defined in the annex to the MFF Communication take the form of narrative mission statements; regrets that the objectives are not quantified and that they lack specificity;
418. Expects comprehensive intervention logic models with specific targets and matching sets of informative output, result and impact indicators to be developed in the relevant sectoral legislation or programming documents (including at Member State or regional level);
419. Stresses that public audit mandates should be established for all types of financing of Union policies at Union and national level; stresses that the Court should be appointed as the auditor of bodies set up to implement Union policies, including Union bodies and bodies created pursuant to agreements outside the Union legal order;

### **Committees Opinions**

#### *Foreign Affairs*

420. With regard to the Instrument for Pre-Accession Assistance (IPA II), notes the continued weaknesses in administrative capacities of accession countries resulting in a lack of absorption capacity under indirect management; highlights that as pointed out in the Court's 2018 special report on IPA funding for Turkey, progress in such sensitive areas as the rule of law and civil society is not only dependent on IPA funding but more importantly the political will of the authorities; notes with concern that IPA funds for Turkey barely addressed fundamental values including press freedom and impartiality of justice; believes that it is more important now than ever for the Commission to make use of conditionality to support reforms in priority sectors such as the rule of law and governance in Turkey;
421. Welcomes the launch of the first capacity building measures under the amended Instrument contributing to Stability and Peace (IcSP) in 2018; emphasises that these actions should take place in the context of an overall security sector reform process; encourages stronger follow-up of short-term stabilisation actions by longer-term actions funded by the IcSP or other instruments;
422. Takes note of the Court's analytical review on European Defence and supports its recommendations; calls on the Commission as guardian of the Treaties to ensure the coherence of all Union defence efforts carried out for the implementation of a Union activity under the CSDP (PESCO, EDIDP, EDF, CARD etc.) and to ensure interoperability and synergies with NATO;
423. Invites the Commission to assess the legality of withdrawing the budgetary function from the Parliament through the Council decisions on establishing the EDA and PESCO; recalls that the relevant Articles 45(2) and 46(2) TEU provide for the decisions to be adopted by a qualified majority without a veto provision; recalls that the withdrawal of the budgetary function of the Parliament under Article 42 TEU is possible for the operating expenditure only and requires a unanimous decision by the Council; underlines that the Council has never taken such a decision;

424. Insists on the need to closely monitor the use of funds of the Facility for Refugees in Turkey, ensuring that these funds are accurately targeting refugee projects and not used for any other purposes; calls on the Commission to report regularly to the budgetary authority on the compatibility of the actions financed with the underlying legal basis;

*Development and Cooperation*

425. Urges the Union and its Member States to refrain from supporting practices which facilitate 'tax dodging' by transnational corporations and individuals, in the pursuit of its objective to create a business-friendly environment for private investors in developing countries in the remit of the European Fund for Sustainable Development; in addition, stresses the risk of indebtedness linked to the increased Union recourse to blending, notably in Sub-Saharan Africa and the Caribbean countries with limited revenues to service their debt; calls on the Union and its Member States to tackle tax evasion, aggressive tax avoidance practices and harmful tax competition effectively and consistently, in line with the principle of Policy Coherence for Development;

*Employment and Social Affairs*

426. Notes that, for ESF, the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD), 3 ESF/YEI programmes for UK, Italy and Hungary and 1 FEAD programme for Italy have been interrupted resulting in several payments being interrupted in 2018; notes that 33 warning letters were sent to the Member States concerned;
427. Acknowledges that the number of warning letters and interruptions significantly increased in 2018 compared to previous year due to the increased number of assurance packages received in February 2018 and the results of the compliance audits performed during the year;
428. Recalls that there are still ten recommendations referring to special reports (one from Special report No 16/2016 ('EU education objectives: programmes aligned but shortcomings in performance measurement'), two from Special Report No 14/2016 ('EU policy initiatives and financial support for Roma integration: significant progress made over the last decade, but additional efforts needed on the ground') and seven from Special report No 6/2018 ('Free Movement of Workers – the fundamental freedom ensured but better targeting of EU funds would aid worker mobility') that need to be implemented, most of which were to be implemented by 31 December 2019; in particular, takes note of the Special Report No 14/2016 according to which most projects were carried out as planned but 'best practices' criteria contributing to successful Roma inclusion were not always applied and monitoring performance was difficult; recalls that the lack of robust and comprehensive data on Roma is not only a problem in relation to projects but also for policy making at Union and national level; deplores the fact that this situation might remain unchanged unless swift action is taken;
429. Recalls the findings of the Court's Special Report No 5/2019 ('FEAD – Fund for European Aid to the Most Deprived: Valuable support but its contribution to reducing poverty is not yet established'), in particular the Court's conclusion that, in addition to alleviating poverty through food aid (which represents 83 % of FEAD budget), the innovative social policy elements of FEAD offer possibilities to Member States to foster social inclusion;
430. Also recalls that available data presented in the Court's Special Report No 5/2019 show that the Fund has a notable effect in nearly each Member State and that the provision by FEAD of food, material support and social inclusion measures make a difference to the most deprived, including those who may be otherwise left out by mainstream social assistance or who need immediate support; also highlights that, according to food banks, one third of the food they provide is financed by FEAD, and that FEAD allows to be less dependent on the irregular flow of donations and therefore enables to better plan the redistribution of specific foods;
431. Notes however that, due to limitations in its monitoring and lack of Union-wide data, FEAD's contribution to reducing poverty has not yet been quantitatively demonstrated and recalls that the Commission has to improve the collected data to better illustrate the relative importance of FEAD as a vector of European solidarity and a way of helping to combat social divides in the Union;
432. Notes that the mid-term evaluation report of the FEAD identified several weaknesses in the implementation of the Fund and that the Court suggested to better target the Fund to the ones most in need; also recalls that the mid-term evaluation report considered that the provision and monitoring of accompanying measures could be further exploited;

433. Recalls that, according to the conclusions of the Court's Special Report No 6/2019 ('Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination'), although there have been improvements in the way managing authorities identify fraud risks in Union cohesion funds (including ESF) and design preventive measures, the managing authorities still need to strengthen fraud detection, response and coordination;
434. Notes that, according to the Commission, the European Union Programme for Employment and Social Innovation (EaSI) mid-term evaluation showed that its objectives are still relevant and that the programme is effective in reaching the relevant stakeholders, generating good-quality outcomes and achieving its objectives in particular in light of the current challenging socio-economic context characterised by the aftermath of the financial and economic crisis; also notes that, even though the three axes (Progress, EURES and Microfinance and Social Entrepreneurship) seem to operate independently, some areas which could result in increased effectiveness ('synergies') have been identified;
435. Notes that the EaSI mid-term evaluation highlighted a number of ways to improve the implementation of the programme, especially through the simplification of procedures, improved internal consistence, enhanced flexibility, targeting groups in need of specific support and linkages with other funds, and encourages the Commission to act in this respect; urges in particular that under the EaSI strand, the ESF+ should include a series of improvements in this direction;

#### *Environment*

436. Stresses that the share of payments exceeding legal deadlines reached 8,20 % of payments executed by DG ENV in 2018 (5,85 % in 2017, 3,92 % in 2016); regrets in particular that payment delays under the LIFE Programme reached higher levels in 2018 (10,3 % compared to 5,8 % in 2017 and 3,9 % in 2016);
437. Notes that, in 2018, DG ENV presented in its AAR an average RER of 0,09 %, not exceeding the materiality threshold of 2 %;
438. Notes that DG ENV stressed in its AAR that the terms of the externalisation decision for cooperation with the Executive Agency for Small and Medium-sized Enterprises (EASME) regarding staff imply that the staffing situation is very tight in DG ENV as regards the activities related to the LIFE Programme, which may require further review of the working methods and arrangements within the DG;
439. Welcomes the fact that in 2018 only 0,93 % of all DG CLIMA's payments were paid late as compared to the legal deadlines (3,9 % in 2017);
440. Stresses that DG CLIMA and DG BUDG monitor the 20 % climate mainstreaming target in the MFF, and that DG CLIMA supports other DGs in integrating climate considerations in their activities; welcomes the fact that in 2018, 20,1 % of the Union budget was spent on climate-related activities, but regrets that at the beginning of 2019 it was still estimated that the Union budget trend would deliver only 19,7 % for the current MFF period;
441. Is strongly concerned by the fact that the reservation on reputational, legal, financial and institutional grounds related to significant security risks identified in the maintenance and the operation of the Union Registry system of the EU Emissions Trading System (EU ETS), as reported in AARs since 2010 and as confirmed by the 2018 risk assessment exercise, is repeated in DG CLIMA's AAR for 2018; deplors the abnormal duration of this reservation; calls on the Commission to quickly resolve the situation;

#### **Public Health, food safety, animal health and welfare and plant health**

442. Highlights the fact that in the field of public health, public procurement is the most important financial management instrument and that, in 2018, commitment and payment credits were fully consumed; stresses that in the field of food and feed safety, the budget is implemented to a large extent through direct grants to Member States, and that the implementation rates of commitments and payments reached 99,0 % and 98,6 %, respectively;

443. Notes that in 2018 DG SANTE presented in its AAR an average RER of 1,9 %, not exceeding the materiality threshold of 2 %;
444. Notes with concern that the share of payments related to grant management made on time by DG SANTE decreased from 97 % to 83 % between 2016 and 2018;
445. Points to the challenges identified by DG SANTE in its AAR in the implementation of the Union's Third Health Programme 2014-2020 (the 'Health Programme'); notes that those challenges relate to the current funding mechanism of the Health Programme, which only allows for project-oriented funding and can have a negative impact on the longer-term sustainability of the actions undertaken, and to the complexity of some mechanisms in the Health Programme, such as joint actions implemented with Member States, which implies that timelines from the initial planning of the activity to its actual launch can be lengthy; notes the conclusions of the Court in Special Report No 21/2019 on antimicrobial resistance (AMR), according to which the activities of the Commission and agencies have led to some progress, for example in veterinary and food-related issues; regrets, however, that according to the same report there is little evidence to date that the health burden of AMR has been reduced in the Union;

#### *Transport and Tourism*

446. Welcomes the completion of the 2017 CEF Transport blending call in 2018 with an innovative approach making available a total indicative budget of EUR 1,35 billion of Union grants to be combined with funding from EFSI, EIB, national promotional banks or private investors; believes that an *ex post* evaluation of those projects must be carried out in order to assess the effectiveness of this innovative approach; notes that the second deadline for submission of proposals in April 2018, focusing on innovation and new technologies projects, notably in the field of alternative fuels, in support of the Commission's Clean Mobility policy, resulted in 35 projects being selected with a total of EUR 404,8 million in CEF funding; notes the need to improve the level of awareness of the CEF eligibility rules among the beneficiaries, in particular by drawing a clear distinction between implementation contracts and subcontracts; recalls that the amount of money spent under a financial instrument is not its only performance criteria and invites the Commission to deepen its assessment of the achievements completed under Union funded transport projects and to measure their added-value aspect and result-oriented spending;
447. Notes that by the fifth year of the current programming period 2014-2020 only around 23 % of the funds initially awarded had resulted in payments by January 2019, putting into question the full implementation of CEF; reiterates that in order to avoid payment delays, decommitments and reflows will build up significantly by the end of the programming period and leaving insufficient time to reroute funds to other projects, it is essential for INEA to monitor the technical and financial implementation of projects closely, so that effective corrective measures can be taken in time; reiterates the recommendations of the Court to the Commission and INEA to ensure greater coherence and transparency of the project selection procedures, to set better conditions for timely programme implementation and to redesign the performance framework to better monitor project results;
448. Welcomes the Court's Special Report No 30/2018, which concludes that the main modes of public transport are covered by Union regulations, making the Union framework for passenger rights unique globally; however, regrets the conclusion by the Court that many passengers were not sufficiently aware of their rights and frequently could not benefit from them, due to problems with enforcement; therefore, reiterates the request of the Court to improve coherence, clarity and effectiveness of the Union passenger rights framework, take action to promote more effective and transparent awareness campaigns and provide national enforcement bodies with further tools for enforcing passenger rights;
449. Reiterates its request that the Commission, in view of the multiple sources of funding, provides an easy access to projects, in form of a one-stop-shop to allow citizens to clearly follow the developments and funding of infrastructures co-financed by Union funds and by the EFSI; these one-stop-shops shall have extensive coordinating powers, with Union rules prevailing, with a multilingual dimension, facilitating the management of all environmental impact assessments; notes that in the fifth year of the 2014-2020 multi-annual financial framework the absorption of EFSI funds has continued to be slower than planned; stresses that the errors detected are at the level of the beneficiary, so more guidance is needed as regards cost eligibility;

450. Highlights that the transport infrastructure policy offers a clear opportunity to increase synergies between defence and civil needs and TEN-T; Welcomes the addition of a pillar of military mobility to TEN-T policy with the adoption of the Action Plan in March 2018 and the proposal by the Commission to include a new envelope dedicated to military mobility needs of EUR 6,5 billion under the CEF budget for 2021-2027; stresses the importance of analysis of gaps between the military and the TEN-T requirements for generating the pipeline for dual-use infrastructure projects that could be supported under the CEF 2021-2027 and strengthen TEN-T; reiterates that this development reflects the strategic role played by the TEN-T in integrating the Union's infrastructure in order to achieve rapid and seamless mobility across the continent, as well as strengthening our capacity to respond to emergency situations such as humanitarian crises, natural disasters or civil emergencies, thus further developing the internal market;
451. Welcomes the start of new projects focusing on urban mobility, efficient logistics and infrastructure, including the port of the future, worth around EUR 105 million from the 2017 call of the Horizon 2020 programme; welcomes the adoption of the 3-year Horizon 2020 Transport Work Programme for 2018-2020; reiterates the recommendation by the Court to set out an Union-wide port development plan for core ports and to revise the number of core ports;

#### *Regional Development*

452. Underlines that irregularities in the implementation of the budget of the European Union do not automatically imply a fraud and that a thorough analysis of the audit results is required before applying financial corrections against beneficiaries; calls on the Commission to implement its Anti-Fraud Strategy and to continue supporting and assisting Member States in the implementation of anti-fraud measures, including the analysis of irregularities reported by Member States under the ESI Funds;
453. Calls on the Commission to present a detailed analysis of the reasons for the low funding take-up rates in certain regions and assess specific ways of remedying the structural problems underlying those imbalances and to step up on-the-spot technical assistance; highlights that flexibility and simpler rules can improve the efficiency and effectiveness of ESI Funds;
454. Calls on the Commission and the Council to establish an action plan in the first half of 2020 to speed-up the implementation of ESI Funds in the current programming period, with clear incentives for the effective absorption of available funds, strengthening the strategic objectives of the Union, in particular economic, social and territorial cohesion and, in accordance with the objectives of the Paris Agreement, the fight against climate change;

#### *Agriculture and Rural Development*

455. Calls on the Court to draft a special report on land-grabbing and its potential impact on the CAP;
456. Reminds the Commission that there is a significant difference in types of errors, for example between unintentional omissions and cases of fraud; recalls that most of the beneficiaries are small and medium-sized farms and complex regulation increases the risk of unintentional omissions, which should also be taken into account while estimating the actual error rate;
457. Highlights that the proper implementation of the CAP interventions is strictly related to the beneficiaries' compliance with the commitments set out at Union level; stresses that the increased flexibility of Member States in allocating CAP subsidies could lead to short-term national political interests, risks further aggravating abuses, and urges, therefore, the Commission to avoid renationalisation of the CAP, in particular the system for monitoring compliance by individual beneficiaries with the rules on eligibility for support, in order to maintain the Union's credibility in managing one of its key public policies;

#### *Culture and Education*

458. Welcomes the conclusion of the Court's Special Report No 22/2018 on mobility under Erasmus+ that the programme has a positive effect on participants' attitudes towards the Union and generates many forms of European added value; however, stresses also that further efforts should be taken to fully align indicators with objectives, and that there is a need to simplify the application and reporting process;

459. Welcomes the positive effect of the Erasmus+ programme in promoting the inclusion of people from disadvantaged backgrounds, as noted in the Court's Special Report No 22/2018; calls for the improvement of the definition, reporting and monitoring in this area to ensure the inclusivity of the Erasmus+ programme, as well as that of the European Solidarity Corps and the Creative Europe programmes;
460. Underlines the need for increased financing of the Erasmus+ and the Creative Europe programmes, keeping in mind the success of the programmes and the added value they bring;
461. Acknowledges that, as the Student Loan Guarantee Facility has not produced the expected results, the Commission decided to reallocate the relevant funds;
462. Highlights the progress in the success rates in the Creative Europe programme compared to 2017 (31 % for Culture and 48 % for the MEDIA sub-programme), but stresses that more adequate levels of financing are required to tackle those still unsatisfactory results;
463. Calls on EACEA to pay due attention to the simplification and adaptation of the application processes to the target audiences to improve accessibility to the programmes;
464. Notes that the internal control system of EACEA still needs major improvements, as identified by the reservations raised in the second phase of an audit on the Erasmus+ and Creative Europe programmes grant management; calls on EACEA to adopt all the necessary corrective actions, in order to guarantee the highest quality implementation of the programmes;
465. Draws attention to the challenges that lie ahead for the European Schools during the process of withdrawal of the United Kingdom of Great Britain and Northern Ireland (the 'United Kingdom') from the Union and calls on the Commission and the European Schools to report to the Committee on Culture and Education in relation to the withdrawal of the United Kingdom and on how they intend to continue to offer first class English-language teaching within the European Schools after the withdrawal of the United Kingdom from the Union;
466. Highlights the under-representation of women (31 %) in middle management positions at the EACEA; calls on the Agency to achieve the objective of 40 % in 2020.

#### *Justice, Freedom and Home Affairs*

467. Welcomes the Court's Special Report on Union support for Member States in their efforts to tackle radicalisation<sup>(48)</sup>, financed, among other sources, by the ISF and the Justice Programme; shares the view of the Court that the Commission should improve the framework for overall coordination of Union funded actions addressing radicalisation, increase practical support to practitioners and policymakers in Member States, and improve the framework for assessing results;
468. Welcomes the fact that the Court did not find major flaws in the Commission's clearance procedures regarding the AMIF and ISF and the fact that it agrees with the Commission's clearance decisions; deplores, however, the fact that three out of the 18 transactions examined by the Court contained errors, of which one shared management transaction under AMIF showed an error rate of 9,4 %; urges the Commission to address the systemic weaknesses identified by the Court, such as a lack of ex post checks of supporting documents in case of *ex ante* administrative checks of payment claims; calls on the Member States to improve checks of the procurement procedures organised by beneficiaries of funds in relation to the legality and regularity of such procedures.

#### *Women's Rights and Gender Equality*

469. Stresses that women's rights and a gender equality perspective should be integrated and ensured into all policy areas; reiterates therefore its call for the implementation of gender budgeting at all stages of the budgetary process, including the implementation of the budget and assessment of its implementation;

<sup>(48)</sup> Court's Special Report No 13/2018 'Tackling radicalisation that leads to terrorism: the Commission addressed the needs of Member States, but with some shortfalls in coordination and evaluation'.

470. Regrets the tendency of the last years to cut Union funds for combating all forms of violence against women and girls and reaffirms its request to increase resources for the Daphne specific objective; reiterates its call to have a separate budget line for the Daphne specific objective of REC; it takes note of the evolution of the development of an Union-wide survey, with a common methodology and questionnaire, to gather comparable gender-based violence data, on a regular basis, across the Member States; it expects to acknowledge the first outcomes of the pilot exercise of the survey by 2019 in order to comply with the foreseen implementation of the survey from 2020-2021 onwards;
  471. Calls for the examination of synergies between those internal and external programmes of the Union to ensure a coherent and continuous approach to policies both inside and outside of the Union, such as in the case of Female Genital Mutilation (FGM).
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