

Discharge for 2016 budget – European Commission and executive agencies

During the April plenary session, the European Parliament is expected to decide whether to grant discharge for the 2016 financial year to the different institutions and bodies of the European Union (EU). The debate will start with the report covering the European Commission (plus six executive agencies) which manages the biggest share of the EU general budget. Separate discharge is granted to the Commission concerning the management of the European Development Funds (EDFs), because the EDFs are not part of the general budget of the EU but based on intergovernmental agreement. Parliament's Committee on Budgetary Control (CONT) recommends the plenary should grant the Commission and all six executive agencies discharge for 2016, and also to grant discharge in respect of the implementation of the operations of the 8th, 9th, 10th and 11th EDFs in that year.

Discharge procedure

The **European Parliament** (EP) and the **Council of the EU** are the two arms of the budgetary authority, responsible for jointly agreeing the budget. But the EP is the discharge authority, responsible for deciding to grant, postpone or refuse discharge, after Council has delivered its recommendation. The discharge decision is accompanied by a series of recommendations aimed at improving financial management.

The **European Commission** is responsible for implementing the budget.

The **European Court of Auditors** (ECA) acts as the independent assessor of all the EU's accounts. Every year, the ECA prepares an annual report on the implementation of the budget, a key element in the [discharge procedure](#). The ECA checks the legality and regularity of the accounts and assesses the achievement of objectives. The ECA also prepares special reports focusing on different areas of expenditure.

Court of Auditors' 2016 annual report

In [2016](#), spending totalled €136.4 billion (around €267 for every citizen) while total EU revenue amounted to €144.7 billion. This spending corresponds to 2.0 % of total general government spending of the EU Member States. For the first time since 1994, the ECA gave a [qualified opinion](#) on the legality and regularity of payments (rather than an 'adverse' opinion) which means that in the ECA's view, the management of EU finances improved. As a consequence of the late adoption of operational programmes at the beginning of the 2014-2020 programming period, the cumulative amounts to be paid in future years have reached a new record sum of about €238.8 billion.

The ECA declared the EU accounts to be reliable. While revenue was free from material error, this was not the case on the expenditure side, although the estimated level of error which affects spending as a whole (3.1 % in 2016) decreased for the third year in a row (it had been 3.4 % in 2014 and 3.8 % in 2015). The 'errors' correspond to the ECA's estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations.

The ECA observed that errors mainly concern cost-reimbursement payments (estimated level of error: 4.8 %). In case of entitlement payments (i.e. payments which are made once conditions are met) the level of error is estimated at 1.3 % and remains below the materiality level of 2 %. The two biggest spending areas, 'Natural Resources' (€57.9 billion) and 'Cohesion' (€35.7 billion), which together represent almost two thirds of expenditure, show a proportionally similar share of errors (79 % of all errors found by the ECA concerned these two areas). There is no substantial difference in levels of error between different ways of expenditure management ([shared management](#) vs other forms of operational expenditure).

When concentrating on performance assessment, the ECA found, for example, that only one third of 168 projects audited in 'Economic, social and territorial cohesion' had a performance measurement system with output and result indicators linked to the objectives of the operational programme, and that 42 % had no

result indicators and/or targets. The ECA recommends linking the level of payments to performance instead of simply reimbursing costs.

In 2016, the expenditure of the [European Development Funds](#) (EDFs) amounted to €2.8 billion. In the view of the ECA, the revenue side is legal and regular in all material respects. The expenditure recorded in 2016 under the 8th, 9th, 10th and 11th EDFs is materially affected by error, with the level estimated at 3.3 %.

Council recommendations

The Council recommended granting discharge to the [Commission](#) and to all [six executive agencies](#) for the execution of the 2016 budget.

Noting that the structure of the ECA report ensures comparability between years and policy areas, the Council [welcomed](#) the gradual reduction of the overall estimated level of error reported by the ECA. It regretted that the estimated error level for payments was still above the 2 % materiality threshold, but took note that about half of 2016 expenditure was free from material error. The Council encouraged the Commission to keep providing comprehensive analysis on the areas where the estimated level of error is persistently high, its root causes and the corrective actions. It welcomed the ECA's assessment of the performance of programmes and projects in several policy areas and aligned with its recommendation to streamline performance reporting. It encouraged the Commission to 'continuously improve its reporting capacity on performance' and invited the ECA to extend such reviews across all MFF headings.

European Parliament position

On 26 March 2018, the CONT committee adopted its [report](#), which proposes to grant discharge to the Commission and to all six [executive agencies](#).

CONT calls on the Commission and the Member States to align the EU's policy objectives and financial cycles, the legislative term of the EP and the mandate of the Commission. It also wishes to see the budget presented according to the EU's political objectives within the Multiannual Financial Framework (MFF) and following the principles of a budget focused on results.

In line with the ECA report for 2016, CONT demands a review of the young farmers and greening schemes for the next MFF. It would also like to see faster delivery of cohesion policy programmes and related payments, in order to reduce the length of the implementation period to two years. Similarly, it requests the Commission speeds up the preparation of the Union accounts and compilation of information with a view to adopting the discharge decision the year after the budgetary year concerned. CONT insists on the Commission instructing all its directorates-general to publish their proposals for country specific recommendations in their respective annual activity reports.

CONT criticises the ECA for having considered €2.5 billion of 2016 disbursements on financial instruments to be outside the eligibility period. With a different approach, the ECA would most likely have found the error rate for cohesion to be considerably higher. CONT is worried about the record level of outstanding commitments and fears that, especially for Member States where European structural and investment funds represent a high percentage of general government expenditure, it may be difficult to find quality projects on which to spend available funds.

Referring to the revenue side of the EU budget, CONT points out the fraud case related to United Kingdom collection of customs duties which was [investigated](#) by OLAF in 2017, and requests the Commission to recover these EU own resources.

A separate CONT [report](#) proposes to grant discharge in respect of the implementation of the 8th, 9th, 10th and 11th EDFs in 2016.

2016 discharge reports: [EU general budget, European Commission and executive agencies](#); Committee responsible: CONT; Rapporteur: Joachim Zeller (EPP, Germany); [8th, 9th, 10th and 11th European Development Funds \(EDFs\)](#); Committee responsible: CONT; Rapporteur: Barbara Kappel (ENF, Austria).

