



2015/2154(DEC)

17.2.2016

OPINION

of the Committee on Regional Development

for the Committee on Budgetary Control

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section III – Commission and executive agencies
(2015/2154(DEC))

Rapporteur: Ivana Maletić

SUGGESTIONS

The Committee on Regional Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Notes that the Annual report of the Court of Auditors ('the Court') of 10 November 2015 on the implementation of the 2014 budget of the European Union found the most likely error rate in cohesion policy to be estimated at 5,7%, which represents an increase as compared to 2013 of 5,3%; expresses its concern at this increase, which is especially significant as far as errors with financial implications and serious negative effects on the budget are concerned; highlights that half of the estimated error rate in cohesion policy is due to the complexity of public procurement and State aid rules, as well as violations in those procedures, such as the unjustified direct award of contracts, conflict of interest and discriminatory selection criteria;
2. Acknowledges the Commission's replies to Court's report that the average decrease in the error rate compared with 2000-2006 programming period is due to an improvement of the management and control systems; calls on the Commission to provide timely information and training to authorities with a view on public procurement and State aid rules; in that context, welcomes the establishment of the Action Plan on Public Procurement; notes the application of the Integrity Pacts initiative and urges the Commission to carry out an appropriate ex-ante evaluation as to their potential to really improve transparency and efficiency in public procurement as regards ESI Funds; calls on the Member States to fulfil the ex-ante conditionality concerning public procurement by the end of 2016 and to transpose the 2014 Public Procurement Directives into their legal systems by April 2016, in order to avoid irregularities and ensure effective and efficient projects implementation and achievement of the envisaged results and hence the cohesion policy's goals; calls on the Commission to strictly supervise this process providing the respective guidance and technical assistance to the Member States in the context of the correct transposition of these Directives into national law;
3. Recalls that all irregularities are not fraud and that non-fraudulent and fraudulent irregularities must be differentiated; considering that non-fraudulent irregularities result often from weak financial management and control systems, the lack of administrative capacity, relating to both knowledge of the rules and of technical expertise concerning the specific works or services; calls on the Commission and Member States to ensure that appropriate, efficient and effective financial management and control systems are set up in accordance with the relevant rules of the regulatory framework, which takes into account the national regulatory situation;
4. Calls on the Commission, Member States and the regional authorities to ensure that beneficiaries are provided with consistent information about funding conditions, particularly concerning the eligibility of expenditure and the relevant ceilings for reimbursement;
5. Notes that the implementation of cohesion policy in Member States involves, depending on their institutional system, substantial national and regional procedures and rules, which constitute an additional layer, could entail irregularities and, in consequence, loss of ESI

Funds and widening disparities among Member States; calls on the Commission to contribute to simplification of implementation at the national and regional level, while respecting Member States' institutional characteristics and providing them with the clarification necessary to implement regulations; reminds the Commission and Member States of the European Parliament's resolution "Towards simplification and performance orientation in cohesion policy 2014-2020" and of the need to take necessary steps in limiting excess regulatory and administrative burden to the minimum necessary level, thus enabling better absorption of the ESI Funds and avoiding errors made by final beneficiaries, especially SMEs; regrets that the Commission excluded Member States' representatives from the High Level Group on Monitoring Simplification for Beneficiaries of ESI Funds, thus not including their opinion in order to improve the system;

6. Considers that administrative capacity is essential for regular and efficient use of ESI Funds and calls on the Commission and Member States to reinforce the exchange of knowledge and good practices on specific implementation topics (e.g. public procurement, State aid, eligibility criteria and audit trail) in particular for potential beneficiaries which have fewer administrative and financial capacities; suggests, in that context, the organisation of specific but comprehensive activities to educate public servants and authorities working on ESI Funds projects as well as beneficiaries (e.g. training and refresher courses, seminars, or providing technical and administrative support);
7. Welcomes the Commission's establishment of the "Taiex Regio Peer 2 Peer" tool in order to facilitate peer-to-peer sharing between Member States' management, certification and audit authorities with a goal of enhancing their administrative capacities; underlines the importance of stepping-up efforts in the designation of authorities, which is a pre-requisite for the submission of payment claims, in order to ensure a smooth implementation of programmes and flow of resources; considers, furthermore, that the Commission should efficiently and effectively implement all available tools for early detection and prevention of risks in cohesion policy, and more specifically data mining tools, such as ARACHNE, for the early detection and prevention of risk in public procurement procedure; since the context of the activities of the Task Force for Better Implementation also includes activities which could enhance efficiency, effectiveness and added value of cohesion policy projects that have already been implemented, the Commission is called to assess these features through qualitative indicators;
8. Notes the Court's views that there is a weak focus on results and that the Europe 2020 Strategy goals are not systematically translated, nor are they translated in a relevant manner into operational targets in the partnership agreements; calls on the Commission to provide details on these issues in the context of the reporting on the outcome of the negotiations; reminds that even though 2014 was a start of the new programming period, most of the cohesion policy's payments in 2014 were related to the previous programming period, and that the new regulatory framework and implementing guidelines were adopted with substantial delay which resulted in delaying the adoption of the new programmes which therefore put more pressure on Member States and regions, which potentially may have resulted in misapplication of the new rules; calls on the Commission to draw conclusions on these issues, bearing in mind however, that the avoidance of irregularities and the fight against fraud are a high priority and necessity at all times;
9. Emphasises that the estimated error rate for expenditure under the economic, social and

territorial cohesion could have been significantly lower if Member States had used all available and provided information, and that these errors should also have been properly addressed in the national control systems; calls, therefore, on the Commission and Member States to propose measures to achieve a balance between greater simplification and strict application of rules and sound financial management, more specifically to implement effective mechanisms for the early detection of irregularities, while the interruption and suspension of payments in the event of irregularities should be action of the last resort, since such measures increase the risk of errors due to the reduced time frames that are required for the proper absorption of the ESI Funds ; requests the Commission to report on the actual contribution of interruptions and suspension of payments to reducing irregularities and errors; highlights that suspension of payments in the event of irregularities could hinder the implementation of certain programmes, bearing in mind that there is already a backlog in cohesion policy payments; reminds the Commission, in this last respect, of the payment plan adopted on 18 November 2015.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	16.2.2016
Result of final vote	+: 35 -: 3 0: 1
Members present for the final vote	Pascal Arimont, Franc Bogovič, Victor Boştinaru, Mercedes Bresso, Steeve Briois, Andrea Cozzolino, Rosa D'Amato, Tamás Deutsch, Bill Etheridge, Iratxe García Pérez, Anna Hedh, Krzysztof Hetman, Ivan Jakovič, Constanze Krehl, Sławomir Kłosowski, Andrew Lewer, Iskra Mihaylova, Andrey Novakov, Younous Omarjee, Konstantinos Papadakis, Mirosław Piotrowski, Stanislav Polčák, Liliana Rodrigues, Fernando Ruas, Monika Smolková, Maria Spyrali, Ruža Tomašić, Ramón Luis Valcárcel Siso, Matthijs van Miltenburg, Lambert van Nistelrooij, Derek Vaughan, Joachim Zeller
Substitutes present for the final vote	Viorica Dăncilă, Ivana Maletić, Bronis Rop, Davor Škrlec, Hannu Takkula, Damiano Zoffoli, Marco Zullo