



2016/2047(BUD)

28.9.2016

OPINION

of the Committee on Budgetary Control

for the Committee on Budgets

on the draft general budget of the European Union for the financial year 2017
(2016/2047(BUD))

Rapporteur: Martina Dlabajová

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SUGGESTIONS

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

- A. whereas in a situation of scarce resources, greater importance should be attached to the need to observe budgetary discipline and to use funds efficiently and effectively;
- B. whereas the main objective of the 2017 draft budget will be to ensure that the Union budget is provided with the means it requires to fully deliver its reinforced contribution to economic, social and territorial cohesion, jobs creation, growth, investment and solidarity, and to respond to continuing challenges and new developments, and their impact regarding delayed economic recovery and increasing inequalities, as well as immigration, humanitarian aid and security;
- C. whereas a fundamental rethink of taxation at Union level should be made and one or more new own resources in the true sense should be established in order to finance Union priorities (investment projects, Horizon 2020, etc.);
- D. whereas the dialogue between Parliament and the Commission provided for in Article 318 TFEU should stimulate a performance-oriented culture within the Commission, including increased transparency and enhanced accountability;

Statement of operational expenditure accompanying the 2017 budget

- 1. Recalls that in its resolution of 3 July 2013 on the Integrated Internal Control Framework¹ Parliament shared the view expressed by the Court of Auditors that it makes no sense to attempt to measure performance without having budgeted on the basis of performance indicators², and calls for the establishment of a performance-based public budgeting model in which each budget line is accompanied by objectives and outputs measured by performance indicators;
- 2. Welcomes the Programme Statements of operational expenditures attached to the 2017 draft budget as they partially respond to the request made by Parliament concerning objectives, outputs and indicators; notes that such statements complement the usual activity-based budgeting method with some performance data;
- 3. Insists that, as a branch of the budgetary authority, Parliament is entitled to express views on the abovementioned objectives and indicators and their conformity with Union priorities as stipulated in the Treaties, and strategic documents such as the Europe 2020, and that before adopting the budget, Parliament should scrutinise the European added value of each budget line;
- 4. Insists that with a view to simplifying the internal management tools of the Commission, Directors General should stick to the political objectives and indicators contained in the Programme Statements of operational expenditure when adopting

¹ OJ C 75, 26.2.2016, p. 100.

² Contribution of Kersti Kaljulaid at the hearing on the integrated internal control framework organised by CONT on 22 April 2013.

their management plans and annual activity reports, and that the Commission should draft its Article 318 TFEU evaluation report on this basis;

5. Expresses concern at the payments situation, given that RAL levels remain extremely high and are at odds with the spirit of the Treaties, which calls for a balanced budget; calls on the Commission and the Member States to bring rigour to bear on the selection of priorities to finance and to abandon those projects which have no obvious added value;

Mid-term review

6. Is of the opinion that the MFF mid-term review, to be presented by the Commission by the end of 2016, is the first and best opportunity to tackle structurally a number of serious crises and the high level of RAL, to take account of new political initiatives not anticipated at the time of the MFF's adoption, to assess and review the effectiveness of programmes already financed, and to deal with the high level of RAL; asks the Commission to find appropriate solutions to: (i) the updating of sectoral policies financed by the Union; (ii) making material progress in the simplification process for content and procedure regarding the use of the Union budget; (iii) and ensuring that financial instruments are properly targeted to bring best results; urges the Commission to come up with a proposal to revise the MFF in order to accommodate all resulting budgetary consequences, among other matters the RAL;
7. Calls on the Commission to submit a communication to Parliament in time for the mid-term review of the MFF with proposals explaining how it will in future reconcile long-term political objectives such as Europe 2020 with the future post-2020 MFF;

Financial corrections and recoveries

8. Notes that the total financial corrections and recoveries confirmed and imposed by the Commission on Member States that fail to implement sound systems amounted to EUR 3 499 million in 2015 which is less than in 2014 (when it was EUR 4 728 million); asks the Commission to indicate clearly which amounts recovered in 2015 have been registered as revenue in the accounts of the Union or have been offset, along with the budget line from which they come, and the extent to which financial corrections and recoveries decided in 2016 may impact on payment requirements for the 2017 budget;
9. Urges the Commission and the Member States to ensure greater transparency with regard to recoveries, in particular with regard to the year in which payment 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;

Sectorial policies

10. Is of the opinion that the sectorial policy adjustment within the mid-term review is to be considered as a preliminary step for the real MFF reform after 2020 under new rules and principles reflecting the expected Union needs and priorities for the third decade of 21st century; asks the Commission to adjust the Union budget in terms of a sharper focus on basic Union priorities as updated, including finding synergies among

them;

11. Recalls that “societal challenge 6” of the Horizon 2020 programme (Europe in a changing world - Inclusive, innovative and reflective societies), and in particular the contribution of the social sciences and humanities to meeting this challenge, was a priority of Parliament, which it introduced during the development of Horizon 2020; recalls the importance of this component in the domains in which the Union is facing particular challenges, such as tackling unemployment, poverty, radicalisation, terrorism, supporting migrants, economic and monetary governance, and the fight against inequality; is concerned, therefore, that during the implementation phase of the programme, the social sciences and humanities have been downgraded through the loss of their dedicated leadership and the reduction in their commitment appropriations by 40 %, at a time when the overall envelope for Horizon 2020 under the 2014-2020 MFF has increased;
12. Underlines that the success rate after the first 100 calls of Horizon 2020 reaches 14 % (comparing to 20 % of the overall FP7). Recalls that only 20 % of the budget targeted for SMEs was allocated (5 % contribution from the SME instrument), 38 % of the successful candidates were newcomers and very few move from the 1st to the 2nd phase. This leads to the conclusion that the second and third phase, which support a feasibility study to become real innovation and its further commercialisation, lose part of their potential. In addition, the role of SMEs must be strengthened;
13. Moreover, East and Central European countries are lagging far behind from the Western and Northern counterparts in their success rate and funding share. Urges for more technical assistance where needed and sharing of good practices. Simplified and understandable synergy between Horizon 2020 and ESIF/ EFSI is also recommended;
14. Recalls that the Union budget should serve as an important trigger in accelerating medium- and long-term investment activities, also in countering increasing inequalities and completely new social problems; notes that Union budget could more strongly support the investments into areas making and contributing the Union more cohesive and less vulnerable to external shocks, like the key projects in energy, mobility, IT as well as the research and development, which have also their social aspects and implications that have to be efficiently accented;
15. Calls on the budgetary authority to highlight the Union's efforts to prevent and combat fraud, corruption and any other illegal activities affecting its financial interests; reiterates its calls on the Commission to provide adequate technical assistance to Member States and stimulate exchange of good practices as preventive measures against irregularities and errors when using EU funds, and is concerned, in this context, that the Commission has proposed reallocating resources from such technical assistance to activities of completely different nature;

Simplification and transparency

16. Stresses that current and recent practice reveals a strong need to continue to simplify the process by which Union funds are utilised and accessed by users; is of the opinion that the more simple rules are, the more uniform they are and the less potential for unintended errors and omissions exists, and the clearer and more authoritative these

rules are, the less space there is for illegal and criminal activities surrounding the process; notes that the more simple and more transparent the process is, the less there is potential for an inappropriate allocation and redistribution of Union funds;

17. Simplifying the process of accessing Union funding and making this more transparent would result in take-up with visible and positive effects in the Member States;
18. Notes that overregulation and gold-plating are key obstacles for the beneficiaries of the European Structural and Investments Funds (ESIFs) and for the relevant auditing bodies; urges the Commission and the Member States to reduce the administrative burden and pressure for the beneficiaries, e.g. through single audit strategy; is concerned, however, at the slow uptake of the simplifications by the Member States and calls on the Commission to assist national authorities in this regard;
19. Points out that complete transparency ensures that funds are used entirely in accordance with the rules; expresses disquiet about transparency as regards major EU-funded works, especially where data on subcontractors are concerned; calls on the Commission to set up systems affording greater transparency, extending also to funds widened to encompass countries outside the Union;

Added-value of the Union budget

20. Stresses that it is crucial to bring a culture oriented towards measurable results to the heart of Union spending; emphasises that performance- and output-related assessment should become, where appropriate, a key principle; welcomes the Commission's "Budget Focused on Results" initiative as a first step towards performance-based budgeting; urges the Commission and the Member States to strive to ensure the most efficient use of scarce financial resources, e.g. through moving the project implementation focus from quantity criteria such as RAL and RAC towards quality criteria such as results, effectiveness, efficiency and added value;

Financial instruments

21. Notes that the financial engineering instruments (FEI), if implemented in a targeted manner, for appropriate project typology and reasonable purpose, might be tools for the effective allocation of Union funds with the potential to form part of mainstream best practice in budget expenditure allocation in the future; urges the Commission to improve transparency in the use of FEI, to regularly report on leverage, losses and risks and to present a cost-benefit analysis of FEI compared with more direct forms of project funding; calls on the Commission to implement effective monitoring systems to analyse the demand for financial instruments in the Member States, in order to avoid overcapitalisation, which commits funds without contributing to the implementation of EU policies, as identified by the Court of Auditors in its Special Report 5/2015;
22. Notes with concern that the EFSI implementation figures show that the majority of the investments are concentrated in the Union top five economies.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	26.9.2016
Result of final vote	+ : 21 - : 1 0 : 1
Members present for the final vote	Nedzhmi Ali, Inés Ayala Sender, Ryszard Czarnecki, Dennis de Jong, Martina Dlabajová, Luke Ming Flanagan, Jens Geier, Ingeborg Gräßle, Verónica Lope Fontagné, Georgi Pirinski, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Marco Valli, Derek Vaughan, Joachim Zeller
Substitutes present for the final vote	Cătălin Sorin Ivan, Andrey Novakov, Julia Pitera, Miroslav Poche, Richard Sulík
Substitutes under Rule 200(2) present for the final vote	John Stuart Agnew, Edouard Ferrand