



2017/2136(DEC)

31.1.2018

DRAFT REPORT

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
(2017/2136(DEC))

Committee on Budgetary Control

Rapporteur: Joachim Zeller

CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission.....	4
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the Education, Audiovisual and Culture Executive Agency for the financial year 2016	6
3. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the Executive Agency for Small and Medium-sized Enterprises for the financial year 2016.....	9
4. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2016	12
5. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the European Research Council Executive Agency for the financial year 2016.....	15
6. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the Research Executive Agency for the financial year 2016.....	18
7. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on discharge in respect of the implementation of the budget of the Innovation and Networks Executive Agency for the financial year 2016	20
8. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	
on the closure of the accounts of the general budget of the European Union for the financial year 2016, Section III – Commission	23
9. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	
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	25
--	----

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's 2016 Annual Management and Performance Report for the EU Budget (COM(2017)0351),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' annual report on the implementation of the budget for the financial year 2016, together with the institutions' replies³, and to the Court of Auditors' special reports,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ...February 2018 on discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁵

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 322, 28.9.2017, p. 1.

⁴ OJ C 322, 28.9.2017, p. 10.

⁵ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution of on the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016¹;
 3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Council, the Commission and the Court of Auditors, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ Texts adopted of that date, P8_TA-PROV(2018)0000.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the Education,
Audiovisual and Culture Executive Agency for the financial year 2016
(2017/2136(DEC))**

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p. 2.

⁴ OJ C 417, 6.12.2017, p. 63.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/776/EU of 18 December 2013 establishing the Education, Audiovisual and Culture Executive Agency and repealing Decision 2009/336/EC³,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the Education, Audiovisual and Culture Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution of on the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁴;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Education, Audiovisual and Culture Executive Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 343, 19.12.2013, p. 46.

⁴ Texts adopted of that date, P8_TA-PROV(2018)0000.

3. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Executive Agency for Small and Medium-sized Enterprises for the financial year 2016 (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the Executive Agency for Small and Medium-sized Enterprises for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the Executive Agency for Small and Medium-sized Enterprises for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation ofFebruary 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p. 11.

⁴ OJ C OJ C 417, 6.12.2017, p. 74.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/771/EU of 17 December 2013 establishing the Executive Agency for Small and Medium-sized Enterprises and repealing Decisions 2004/20/EC and 2007/372/EC³,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the Executive Agency for Small and Medium-sized Enterprises discharge in respect of the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution of on the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁴;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Executive Agency for Small and Medium-sized Enterprises, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 341, 18.12.2013, p. 73.

⁴ Texts adopted of that date, P8_TA-PROV(2018)0000.

4. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2016 (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation ofFebruary 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48,24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p 2.

⁴ OJ C OJ C 417, 6.12.2017, p. 52.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/770/EU of 17 December 2013 establishing the Consumers, Health and Food Executive Agency and repealing Decision 2004/858/EC³,
 - having regard to Commission Implementing Decision 2014/927/EU of 17 December 2014 amending Implementing Decision 2013/770/EU in order to transform the Consumers, Health and Food Executive Agency into the Consumers, Health, Agriculture and Food Executive Agency⁴,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the Consumers, Health, Agriculture and Food Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution ofon the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁵;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 341, 18.12.2013, p. 69.

⁴ OJ L 363, 18.12.2014, p. 183.

⁵ Texts adopted of that date, P8_TA-PROV(2018)0000.

decisions, to the Director of the Consumers, Health, Agriculture and Food Executive Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

5. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Research Council Executive Agency for the financial year 2016 (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the European Research Council Executive Agency for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the European Research Council Executive Agency for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation ofFebruary 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p. 9.

⁴ OJ C OJ C 417, 6.12.2017, p. 171.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/779/EU of 17 December 2013 establishing the European Research Council Executive Agency and repealing Decision 2008/37/EC³,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the European Research Council Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution ofon the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁴;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the European Research Council Executive Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 346, 20.12.2013, p. 58.

⁴ Texts adopted of that date, P8_TA-PROV(2018)0000.

6. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the Research Executive Agency for the financial year 2016
(2017/2136(DEC))**

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the Research Executive Agency for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the Research Executive Agency for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation ofFebruary 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p. 12.

⁴ OJ C OJ C 417, 6.12.2017, p. 252.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/778/EU of 13 December 2013 establishing the Research Executive Agency and repealing Decision 2008/46/EC³,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the Research Executive Agency discharge in relation to the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution ofon the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁴;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Research Executive Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 346, 20.12.2013, p. 54.

⁴ Texts adopted of that date, P8_TA-PROV(2018)0000.

7. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Innovation and Networks Executive Agency for the financial year 2016 (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the final annual accounts of the Innovation and Networks Executive Agency for the financial year 2016³,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' report on the annual accounts of the Innovation and Networks Executive Agency for the financial year 2016, together with the Agency's reply⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ...February 2018 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2017 – C8-0000/2017),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁶

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C 384, 14.11.2017, p. 11.

⁴ OJ C OJ C 417, 6.12.2017, p. 247.

⁵ OJ C 322, 28.9.2017, p. 10.

⁶ OJ L 298, 26.10.2012, p. 1.

and in particular Articles 62, 164, 165 and 166 thereof,

- having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes¹, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Implementing Decision 2013/801/EU of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC³,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and, pursuant to Article 317 of the Treaty on the Functioning of the European Union, is to implement the budget in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants/postpones the Director of the Innovation and Networks Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution ofon the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016⁴;
 3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Innovation and Networks Executive Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ OJ L 352, 24.12.2013, p. 65.

⁴ Texts adopted of that date, P8_TA-PROV(2018)0000.

8. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the general budget of the European Union for the financial year 2016, Section III – Commission (2017/2136(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2016¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2016 (COM(2017)0365 – C8-0247/2017)²,
- having regard to the Commission's report on the follow-up to the discharge for the 2015 financial year (COM(2017)0379),
- having regard to the Commission's 2016 Annual Management and Performance Report for the EU Budget (COM(2017)0351),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2016 (COM(2017)0497), and to the accompanying Commission staff working document (SWD(2017)0306),
- having regard to the Court of Auditors' annual report on the implementation of the budget for the financial year 2016, together with the institutions' replies³, and to the Court of Auditors' special reports,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- having regard to the Council's recommendation of on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2016 (00000/2017 – C8-0000/2017),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

¹ OJ L 48, 24.2.2016.

² OJ C 323, 28.9.2017, p. 1.

³ OJ C OJ C 322, 28.9.2017, p. 1.

⁴ OJ C 322, 28.9.2017, p. 10.

- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002¹ and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes², and in particular Article 14(2) and (3) thereof,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
1. Approves/postpones the closure of the accounts of the general budget of the European Union for the financial year 2016;
 2. Sets out its observations in the resolution 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, and in its resolution of on the Court of Auditors' special reports in the context of the Commission discharge for the financial year 2016³;
 3. Instructs its President to forward this decision to the Council, the Commission and the Court of Auditors, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for its publication in the *Official Journal of the European Union* (L series).

¹ OJ L 298, 26.10.2012, p. 1.

² OJ L 11, 16.1.2003, p. 1.

³ Texts adopted of that date, P8_TA-PROV(2018)0000.

9. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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 (2017/2136(DEC))

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 2016, 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 2016,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2018),
- 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 achieved;

Political priorities

1. Calls on the Commission and the Member States to align policy objectives, financial cycles, the legislative period of the Parliament and the mandate of the Commission;
2. Calls on the Commission to provide the Parliament with a mid-term evaluation of the current and an evaluation of the past financial periods, including a spending review;
3. Reminds that the Commission should take into account in its proposals for a new Multiannual Financial Framework (MFF) that some policy areas, like cohesion or research, often rely on longer-term programming and need more time to achieve political objectives than other policy areas;
4. Insists that the Union budget, as a consequence of the “budget focused on results initiative”, be presented according to the political objectives of the MFF;
5. Calls on the Commission to commit itself to fundamentally reviewing the young farmers' and greening schemes in light of the findings of the Court of Auditors (the “Court”) before the next financing period;
6. Calls on the Commission to speed up the delivery of cohesion policy programmes and related payments with a view to reducing the length of the implementation period, initially, to year n+2;

7. Insists that the Commission finally instruct all its directorates-general to publish their proposals for the country specific recommendations in their respective annual activity reports (AARs), as called for by Parliament;
8. Calls on the Commission to improve the transparency of migration policy financing as recommended by the Court in its annual report for 2016;
9. Calls on the Commission to improve transparency for trust funds and for the external assistance management reports;
10. Calls on the Commission to arrange a reduction in the fees charged by the European Investment Bank for creating and administering financial instruments;
11. Calls on the Commission to speed up the preparation of the Union accounts, to ensure that information from Member States on shared management spending is obtained in a more timely manner and to present the management's view on Union spending earlier and together with the accounts, with the view to adopting a discharge decision in year n+1;

The Court' Statement of assurance

12. Welcomes the fact that the Court has given a clean opinion on the reliability of the accounts for 2016, as it had done since 2007, and that the Court concluded that revenue was free from material error in 2016; notes with satisfaction that the commitments underlying the accounts for the year ended 31 December 2016 are legal and regular in all material respects;
13. Notes with concern that as to the revenue for 2016, the director general of Directorate-General for Budget has issued a reservation for the traditional own resources revenue, in view of the OLAF's fraud case related to United Kingdom customs duties;
14. Points out that the revenue affected by the quantified reservation is EUR 20.1 billion: i.e. 15 % of own resources for 2016; calls on the Commission to provide precise information on this fraud case, which indirectly affects the Value Added Tax basis of some Member States and thus Value Added Tax-related resources plus the Gross National Income-related balancing of the Commission¹;
15. Welcomes the positive trend of the most likely error rate issued by the Court compared to that of recent years since the payments are affected in 2016 by a most likely error rate of 3.1%; recalls that the most likely error rate for payments was estimated in the financial years 2015 at 3.8%, 2014 at 4.4%, 2013 at 4.7%, 2012 at 4.8%, 2011 at 3.9%, 2010 at 3.7%, 2009 at 3.3%; 2008% at 5.2%, and 2007 at 6.9%;
16. Stresses that the estimated level of error for cohesion does not include a quantification of 2016 disbursements to financial instruments amounting to EUR 2.5 billion that the Court considers to be outside the eligibility period defined in Article 56(1) of Council Regulation EC 1083/2006; notes that those disbursements would represent an estimated level of error of 2.0% of overall expenditure; points out that if the Court had quantified

¹ See Commission's 2016 Annual Management and Performance Report for the EU Budget, p. 81.

this flagrant irregularity, the most likely error rate would have been estimated at 5.1% (nearly the same level as for 2008); calls on the Court to take on board all the irregularities having a financial impact when determining the most likely error rate and the Commission to table the necessary legislative proposal to put an end to this irregularity;

17. Notes with satisfaction that for the first time in 23 years, the Court has issued a qualified (rather than an adverse) opinion on the legality and regularity of the payments underlying the accounts which means that in the Court's view, material error was confined mainly to reimbursement-based expenditure, representing around half of the audited population;
18. Regrets that for the 23st year in a row, payments are materially affected by error because of the fact that the management and control systems are only partially effective at ensuring timely payment;
19. Notes with concern that if the corrective measures taken by the Member States and the Commission had not been applied to the payments audited by the Court, the overall estimated level of error would have been 4.3% rather than 3.1% (i.e. the same level as in 2015; see paragraph 1.34 of the 2016 ECA annual report);
20. Notes that the type of management has a limited impact on level of error as the Court finds the same estimated level of error under shared management with the Member States and for all other forms of operational expenditure managed directly by the Commission, namely 3.3 %;
21. Points out that the Court found the highest estimated levels of error in spending for economic, social and territorial cohesion (4.8. % or 6.8% with the quantified irregularity concerning the financial instruments) and for competitiveness for growth and jobs (4.1 %), whilst administrative expenditure had the lowest estimated level of error (0.2 %);
22. Notes that according to the findings of the Court, the different risk patterns of reimbursement schemes and entitlement schemes have had a major influence on the levels of error in the different spending areas; where the Union reimburses eligible costs for eligible activities on the basis of cost declarations made by beneficiaries, the level of error is 4.8% (5.2% in 2015), whilst where payments are made on meeting conditions rather than reimbursing costs, the error rate is 1.3 % (1.9% in 2015);

Annual Management and Performance Report (AMPR): management achievements

23. Points out that beyond the appearance of convergent conclusions made by the Commission and the Court, the statement made by the Court in its annual report and the analysis put forward by the Commission in its AMPR are partially divergent;
24. Notes, in particular, that the Commission points out in its 2016AMPR¹ that the scope of the reservations issued by the directors general in their AARs has increased and amounts at: EUR 35.3 billion, which corresponds to 26 % of the payments (2015: EUR

¹ COM(2017) 351 final, p. 81,

29.8 Billion: 21% of payments);

25. Points out that according to the Commission, the actual financial impact in terms of amount at risk at reporting has also increased in 2016 to EUR 1.6 Billion (EUR 1.3 Billion in 2015);
26. Points out that the Commission notes in its AMPR a deterioration of the financial management indicators in terms of AARs reservations and explained it by the difficulties of putting in place new and more demanding schemes, notably greening¹; whilst the Court points out a clear amelioration in this very precise policy area;
27. Notes in particular that the Court states “that the EAGF is at 1.7 % “free from material error”, which is a real improvement by comparison with 2015, when it was 2.2%, and estimates the level of error for entitlement-based expenditure at 1.3 %, while observing that the biggest part of first pillar CAP is included in this kind of expenditure;
28. Is surprised by the divergent views expressed by the Court and the Commission as to financial management of the first pillar of the CAP; expresses doubts as to the assertion made by the Court that in expenditure the error is not “pervasive” (ECA annual report paragraph 1.8) since the director general of Directorate-General for Agriculture and Rural Development (DG AGRI), in his AAR, issued a reservation in direct payments concerning 18 paying agencies comprising 12 Member States;
29. Stresses that the Commission finds in its 2016 AMPR that spending is affected by a material level of error, given that the Commission's overall average error rate is estimated to be between 2.1 % and 2.6 % (having been in 2015 between 2.3 % and 3.1 %) of total relevant expenditure, and the related estimated overall amount at risk at payment is between EUR 2.9 and 3.6 billion (while in 2015 it was between EUR 3.3 and 4.5 billion);
30. Notes that this decrease is, according to the Commission, mainly due to cohesion's lower inherent risk of error for programmes of the current MFF; is surprised by this explanation given the very low level of budget implementation in this area;
31. Highlights that in annex 4 of its 2016 AMPR, the Commission points out that in cohesion, no expenditure was certified in the annual accounts submitted to the Commission in 2016, nor were any financial corrections imposed by the Commission following its audit activity”(AMPR 2016, annex 4 page 20);
32. Notes that the Commission estimates that it will in the future years identify and correct errors for between EUR 2.0 and 2.1 billion, or between 1.5 % and 1.6 %;
33. Shares the view of the Court that the Commission’s methodology for estimating its amount at risk error has improved over the years but that “individual DGs’ estimations of the level of irregular spending are not based on a consistent methodology”;
34. Notes that despite improvements, the Commission has not eliminated the risk that the

¹ 2016 AMPR, p/ 82, DG AGRI, annual activity reports annex 10, p.140.

impact of corrective actions is overstated;

35. Points out in particular that for more than three quarters of 2016 expenditure, Commission directorates-general base their estimates of amount at risk on data provided by national authorities, whilst it appears from the AARs of the concerned Commission directorates-general (in particular DG AGRI and DG REGIO) that the reliability of Member States' control reports remains a challenge;
36. Points out that since errors can be corrected more than 10 years after they have occurred, it is artificial to base the estimated impact of future corrections upon recorded corrections over the last six years;
37. Points out that in the Financial Statement Discussion and Analysis (FSDA) the Commission reports total implemented financial corrections and recoveries amounting to EUR 3.4 billion (3.9 in 2015); that around EUR 0.6 billion (1.2 billion in 2015) of the corrections and recoveries were at source (applied before the Commission accepted expenditure) and that of the remaining EUR 2.8 billion, around EUR 0.6 billion, represents withdrawals by Member States applied after accepting expenditure by replacing ineligible amounts with new cohesion projects;
38. Asks the Commission and the Member States once again to put in place sound procedures to confirm the timing, the origin and the 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;

Commission internal governance tools

39. Recalls that the distinction made by the Commission between the 'political responsibility of Commissioners' and the operational responsibility of directors-general means that it has not always been made clear whether 'political responsibility' encompasses responsibility for the directorates-general, or is distinct from it;
40. Points out that the College of the Commissioners does not produce an annual statement on governance, in line with best practice and the common practice of Member States;
41. Asks the Commission to implement recommendation number 2 of the Court's Special Report 27/2016 and, in addition, accompany its financial statements with an annual statement on governance and on internal control covering in particular:
 - (a) a description of the internal governance tools of the Commission,
 - (b) an assessment of the operational and strategic risk activities during the year; and a mid- and long-term fiscal sustainability statement;

Political reservations

42. Endorses the reservations issued by the directors general of DG REGIO, MARE, HOME, DEVCO and AGRI, in their annual activity report; is of the opinion that those reservations demonstrate that the control procedures put in place in the Commission and

the Member States cannot give the necessary guarantees concerning the legality and regularity of all the underlying transactions in the corresponding policy areas;

43. Calls on the director general of DG R&I to provide a more risk-based assurance in its AAR and to develop a system which will allow the directorate-general to do away with its undifferentiated horizontal reservations;

Budgetary and financial management

44. Points out that the delays in the implementation of programmes in the first three years of the current MFF led to the transfer of commitment appropriations from 2014, mainly to 2015 and 2016, and to low payments in 2016;
45. Fears that despite the extensive use of special instruments (the Emergency Aid reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the Flexibility Instrument) and margins, the amounts left may not be sufficient to fund unexpected events that may still occur before 2020;
46. Notes with concern that a record level of outstanding commitments has been created, reaching by the end of 2016 an all-time high of EUR 238 billion, 72 % higher than in 2007 and equivalent to 2.9 years of payments compared to 2.2 years in 2007; considers that this has increased the amounts owed by the EU and thus the financial exposure of the Union budget;
47. Regrets that the overall financial exposure of the Union budget has grown, with significant long-term liabilities, guarantees and legal obligations implying that careful management needs to be applied in the future;
48. Recalls that the Union is making increasing use of financial instruments and that the establishment of EFSI creates new governance arrangements with limited public scrutiny;
49. Points out that EU funds form a significant share of some Member States' expenditure, and in particular that in nine Member States (Lithuania, Bulgaria, Latvia, Romania, Hungary, Poland, Croatia, Estonia, Slovakia,) outstanding commitments on ESI funds represent more than 15 % of general government spending;
50. Fears that Member States where European Structural Investment (ESI) funds represent a significant percentage of general government expenditure may find it challenging to identify sufficiently high quality projects on which to spend the available Union funds or to provide co-financing;
51. Is disappointed that three years after the start of the 2014-2020 period, the Member States have designated only 77 % of the programme authorities responsible for implementing the ESI funds;
52. Stresses that the volume of Union funds and timing of their receipt can have a considerable macro-economic impact, such as on investment, growth and jobs;
53. Notes that the Commission mobilised various resources to deal with the refugee and

migration crisis, but regrets that it did not establish a reporting structure to enable it to report comprehensively on the use of the funds involved;

54. Notes that - as to the financial instruments in cohesion policy- payments to final recipients were reported as EUR 15,192.18 million at closure (31 March 2017), out of which EUR 10,124.68 million were structural funds, reaching a disbursement rate to final recipients of almost 93% of the operational programme amounts paid to financial engineering instruments, i.e. a 20% increase compared to what was reported at the end of 2015;
55. Notes that disbursement rates to final recipients reported varied widely between FEIs, with variations not only between Member States ranging from 60% to 99%, but also between areas of intervention;
56. Fears that a backlog of payments may develop towards the end of the current MFF and in the first few years of the next MFF, and states that financing the new MFF will require realistic budgetary appropriations to cover projected outstanding commitments;

Measures to be taken

57. Calls on the Commission:
 - (a) to take into account the growth in outstanding commitments in its forecast of payment appropriations for the next MFF, in order to help ensure an orderly balance between commitment and payment appropriations;
 - (b) to make proposals to the European Parliament and the Council, ensuring a consistent approach to the issue of whether or not special instruments are counted within the ceilings for payment appropriations in the MFF;
 - (c) for management and reporting purposes, to establish a way of recording Union budgetary expenditure that will make it possible to report on all funding related to the refugee and migration crisis;
 - (d) in the context of the debate on the future of Europe, to consider how the Union budgetary system could be reformed to provide a better balance between predictability and responsiveness as well as how best to ensure overall funding arrangements are no more complex than necessary to meet Union policy objectives and guarantee accountability;
 - (e) Requests once again that the Commission establish annually an updated long-term cash-flow forecast, spanning a seven to ten year time horizon covering budgetary ceilings, payments needs, capacity constraints and potential de-commitments in order to better match payment needs and available funds;

Getting results from the Union budget

58. Notes that the Commission uses two sets of objectives and indicators to measure the performance of its services and of spending programmes;
59. Points out that the AARs of the directors general report on the annual payments of

directorates-general by type of activity or spending programme, whilst on performance they report on the achievement of general and specific objectives with no indication of the corresponding expenditure; regrets that it is not possible to assess how much was spent on pursuing the set objectives;

60. Recalls that, in 2016, the OECD carried out a performance budgeting survey in OECD countries and at the Commission; that the OECD considered the Commission's performance framework to be the most extensive, which may partly be explained by the number of legal requirements in the EU;
61. Notes that the OECD chart indicates that the use and consequences of the framework for decision-making do not reflect this higher level of specification (ECA annual report 2016, paragraph 3.21);
62. Notes that the programme statements for the EU's 2017 draft general budget contain 294 objectives and 709 indicators, which are particularly highly concentrated under MFF headings 1a, 3, 4, and that through the 'budget focused on results' (BFOR) initiative, the Commission is currently undertaking a review of its indicators to provide input for the next generation of spending programmes;
63. Regrets that the AARs of the directors general of the Commission reviewed by the Court contained limited information on the performance shortfalls and challenges relating to the objectives of the directorates-general (ECA annual report 2016, paragraph 3.26);
64. Regrets that the AMPRs for 2015 and 2016 did not provide comprehensive coverage of performance and were overly positive, the only shortfalls to which they refer being implementation delays; regrets that the reports also:
 - (a) provided limited insight into the results of the Europe 2020 strategy, whereas this was requested by the European Parliament in its 2014 discharge decision;
 - (b) did not always clearly explain the influence of external factors on results;
 - (c) were published too late to be reviewed by the Court in its annual report;
65. Endorses the view expressed by the Court (annual report 2016 paragraph 3.38) that the evaluators should make recommendations for consideration by the Commission including action plans addressing weaknesses;
66. Deplores the fact that the Commission has not carried out a study on its use of evaluation results, or had one made, since 2005;
67. Points out that the Commission has no documented institutional system for the regular follow-up of evaluations;
68. Points out, in particular, that in practice the 2016 management plans of the directorates-general established no basis for monitoring the follow-up on evaluation;
69. Furthermore, regrets that as the Commission does not have an overview of the conclusions, recommendations or action plans resulting from its evaluations, or track

their implementation at institutional or DG level, it cannot inform stakeholders about the positive impact of evaluations;

70. Stresses that AARs do not include a declaration on the quality of the reported performance data, and that consequently in adopting the AMPR, the College of Commissioners takes overall political responsibility for the management of the EU budget but not for the information on performance and results;
71. Notes that there is no central performance website with information from all Commission departments on every area of the EU budget;

Measures to be taken

72. Asks the Commission to:
 - (a) streamline performance reporting by:
 - further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the performance of the Union budget; in preparing the next MFF, the Commission should propose less numerous and more appropriate indicators for the legal framework of the next generation of programmes; in this context, it should also consider the relevance of indicators for which information cannot be obtained until several years have elapsed;
 - presenting financial information in a manner that makes it comparable with performance information so that the link between spending and performance is clear;
 - explaining and improving the overall coherence between its two sets of objectives and indicators for programmes on the one hand and directorates-general on the other;
 - (b) better balance performance reporting by clearly presenting information on the main challenges still to be achieved;
 - (c) better demonstrate that evaluation results are well used by requiring in particular that evaluations always include conclusions or recommendations, which the Commission should subsequently follow up;
 - (d) take overall political responsibility in the AMPR for the information on performance and results and indicate, to the best of its knowledge, whether the performance information provided is of sufficient quality;
 - (e) make performance information more easily accessible by developing a dedicated web portal and search engine;

Presentation of the EU budget

73. Notes that the budget of the Union is presented in sections corresponding to activities led by the institutions (activity-based budgeting); considers that this presentation does

not ensure a clear and rapid understanding of the objectives pursued; by contrast notes that the MFF is presented by headings corresponding to policy areas;

- 74. Notes that the operational programmes accompanying the draft budget make the link between each budget line and the political objectives pursued;
- 75. Asks the Commission to present the Union budget according to the political objectives of the MFF;

Revenue

- 76. Welcomes the fact that the Court's overall audit evidence indicates that revenue is not affected by a material level of error and that the examined systems for revenue-related systems are overall effective; but notes that for the traditional own resources, the key internal controls in certain Member States visited by the Court were nevertheless only partially effective;
- 77. Notes with concern that OLAF concluded in early 2017 an investigation on a case of fraud in the UK which involves a possible loss of 1.987 billion euro to the Union budget in terms of customs duties due on textiles and shoes imported from China through the UK in the period 2013-2016; points out that the investigation also revealed substantial VAT evasion in connection with imports through the UK through abuse of the suspension of VAT payments (customs procedure 42);
- 78. Stresses that the Commission inspections found that by October 2017, the UK authorities had not introduced remedial measures to prevent continued traditional own resource losses;
- 79. Recalls that the new decision on the Union's own resources system (2014 ORD), which entered into force on 1 October 2016, with retroactive effect from 1 January 2014, stipulated that when compiling GNI for own resources purposes, the European system of national and regional accounts (ESA 2010) accounting framework should be used, and that this foresees that research and developments spending be considered as an investment (instead as of current expenditure under the preceding ESA 95 scheme);
- 80. Notes that Ireland's reported GNI increased very significantly in 2015 because of multinational companies relocating R&D assets to the country;
- 81. Points out that the Commission has to carry out additional work to ascertain the potential implications of multinational activities for national accounts, in terms both of methodology and of the verification process and that it could trigger adjustments for the Member States' GNI contributions;
- 82. Points out, as to the management of traditional own resources, that the Court and the Commission found inefficiencies in the management of the amounts receivable (known as the B accounts) in some Member States;
- 83. Stresses that the Court found that in Belgium, post-clearance controls were selected based on the characteristics of individual transactions instead of on the risk profiles of companies and that post-clearance audits were not generally carried out (ECA annual

report 2016, paragraph 4.18);

84. Points out that the Commission noted that six Member states - Belgium, Estonia, Italy, Portugal, Romania, and Slovenia - either did not carry out any post-clearance audits or did not provide any information on these audits;

Measures to be taken

85. Requests that the Commission:

- (a) take all the necessary measures to ensure the recovery of EU own resources that have failed to be collected by the UK authorities as to the import of textiles and shoes from China and put an end to VAT evasion;
- (b) consider launching a timely infringement proceedings as to the UK customs duties case fraud;
- (c) analyse, in cooperation with Member States, all the potential implications of multinational activities on the estimation of GNI, and provide guidance to them on how to deal with these activities when compiling national accounts;
- (d) confirm, during the GNI verification cycle, that R&D assets have been correctly captured in Member States' national accounts, paying particular attention to the valuation of R&D assets and to residency criteria in cases where multinational activities have relocated;

Competitiveness for growth and jobs

The findings of the Court

86. Notes that the Court issued, for the first time, a qualified opinion on the legality and regularity of payments underlying the accounts; stresses that reimbursement schemes remain more error prone than entitlement schemes; points out, however, that the data recorded under the heading "Competitiveness for growth and jobs" did not fundamentally change compared to previous years;
87. Recalls that research and innovation accounts for 59 % of spending, via the Seventh Framework Programme for Research and Technological Development 2007-2013 (the 'Seventh Research Framework Programme' FP7) and Horizon 2020 - the Framework Programme for Research and Innovation 2014-2020 ('Horizon 2020');
88. Notes that the Court estimated the error rate to be 4,1%; that ineligible direct personnel costs accounted for 44%, ineligible other direct costs for 12%, indirect costs for 16% and that ineligible projects or beneficiaries accounted for 16%; observes, however, in 19 cases where quantifiable errors were made by beneficiaries, the Commission or independent auditors had sufficient information to prevent, or to detect and correct the error before accepting the expenditure;
89. Observes that if the Commission or independent auditors had made proper use of all the information at their disposal, the estimated level of error for this chapter would have been 1,2 % lower;

90. Appreciates that the Commission has invested considerable efforts in reducing administrative complexity, by introducing a new definition of additional remuneration for researchers, streamlining the Horizon 2020 work programme for 2018-2020, providing targeted support for start-ups and innovators and making wider use of lump-sum funding for projects;
91. Acknowledges that the Court looked into performance issues in research and innovation projects; is however of the opinion that the results, looking at outcome, costs and dissemination, should be considered preliminary;

The AAR of Directorate General for Research and Innovation (DG R&I)

92. Notes that, in line with the EU 2020 strategy, according to the “Strategic Plan for 2016-2020”, DG R&I pursued four objectives:
 - (a) a new boost for jobs, growth and investment;
 - (b) a connected digital single market;
 - (c) a resilient energy union with a forward looking climate-change policy; and
 - (d) becoming stronger global actor;
93. Welcomes the fact that in pursuing these objectives, Commissioner Moedas has established three priorities, namely “open innovation”, “open science” and “open to the world”;
94. Notes that in order to measure progress towards these objectives the DG R&I used five key performance indicators (KPI):
 - (a) the share of funds allocated to small and medium sized enterprises (SME) in Horizon 2020 to address societal challenges and promote enabling and industrial technologies, the share of the Union financial contribution being allocated through to SME instrument;
 - (b) the share of newcomers among successful applicants (H2020);
 - (c) climate-related and sustainability-related expenditure (H2020);
 - (d) the share of third-country participation in Horizon 2020;
 - (e) the share of grants signed with a time-to-grant within 245 days;
95. Acknowledges that DG R&I, in its replies to written questions, published a list of countries concerned by D R&I’s country specific recommendations; urges DG R&I to publish the directorate’s proposals for the country specific recommendation directly in its AAR, in line with Parliament’s repeated requests;

96. Recalls that the evaluation of FP 7 was dealt with in the previous discharge report¹;
97. Welcomes the progress made in achieving the directorate's general KPIs for Horizon 2020:
- (a) 23,9 % of EU financial contribution went to SMEs (the target for 2020 being 20%);
 - (b) 55% of successful applicants were newcomers (the target for 2020 being 70%);
 - (c) 26 % of EU financial contributions were climate related (the target for 2020 being 25%);
 - (d) 54,9 % of EU financial contributions were sustainability related (the target for 2020 being 60%);
 - (e) third countries participate in 3,6% of the Horizon 2020 projects (the target for 2020 being 4,73%);
 - (f) in 91% of the cases DG R&I respected the time-to-grant period of 245 days (the target for 2020 being 100%);
98. Pinpoints that 73% (almost EUR 12 billion) of Horizon 2020 funding goes to Germany (EUR 3 464 million), the United Kingdom (EUR 3 083), France (EUR 1 813), Spain (EUR 1 813) and Italy (EUR 1 664);
99. Acknowledges the success of the common support centre and its contribution to delivering simplification and legal and technical advice; asks DG R&I which simplification measures it intends to propose for the period post-2020;
100. Takes note of the payment appropriations for DG R&I in 2016:

Payment appropriations for DG R&I including EFTA contribution		
Management mode	Execution	
	In EUR million	percentage points
Co-delegated or sub-delegated to other DGs	161,20	5,34
DG R&I directly	1 878,28	62,17
DG R&I to Article 185 bodies	86,40	2,86
DG R&I to EIB	312,72	10,35
DG R&I to Joint Undertakings	582,37	19,28
Total	3 020,97	100%

¹ P8_TA(2017)0143, points 120 and 121.

101. Highlights that 14,39% of the budget equalling almost EUR 444 million was implemented via financial instruments;
102. Highlights also that 39.36% (against 28,14% in 2015) of the DG R&I's budget was entrusted to other entities outside the Commission, mostly to implement parts of the framework programmes under (indirect) grant management and financial instruments' control systems;
103. Was interested to learn that DG R&I has established a supervision strategy for financial instruments and would therefore like to know how DG R&I establishes whether financial and research-related objectives have been achieved;
104. Notes that DG R&I estimated the overall detected error rate at 4,42%, with a residual error rate of 3,03%;
105. Observes that the Commission estimated the overall amount at risk at closure to be between EUR 73,5 and EUR 104 million;
106. Welcomes DG R&I's examination of the cost-effectiveness of direct and indirect grant management;
107. Regrets that DG R&I again issued a horizontal reservation concerning the rate of the residual error within cost claims in the Seventh Research Framework Programme (FP7), implemented directly by it;
108. Recalls its view, expressed in paragraph 76 of its 2015 Commission discharge resolution, that the Commission should: "develop, at long last, a more meaningful, risk based approach and use specific reservations when needed;

Measures to be taken

109. Calls on DG R&I to publish the directorate's proposals for country specific recommendations in its AAR;
110. Calls on DG R&I to follow up the recommendations of the Internal Audit Service (IAS) which found weaknesses in ensuring a consistent project monitoring approach across the Horizon 2020 implementing bodies;
111. Calls on DG R&I to report on the progress made by the Common Audit Service in increasing the maturity of its internal processes;
112. Calls on DG R&I to report to Parliament's competent committee on its supervision strategy for financial instruments and on how DG R&I establishes whether financial and research-related objectives were achieved;
113. Calls on DG R&I to explain to Parliament's competent committee which measures it has taken to avoid horizontal reservations concerning the rate of the residual error within cost claims;

Economic, social and territorial cohesion

Introduction

- 114. Learnt from the “Seventh Report on Economic and Social Cohesion”¹ that, on the one hand, convergence is a fragile process which can easily be halted and reversed by economic crises, but that, on the other hand, public investments may reduce the impact of the crises;
- 115. Is pleased that the employment level in 2016 reached again the 2008 pre-crisis level of 71%, notes however that the employment level developed very unevenly and still remains too high, in particular among young people;
- 116. Remains convinced that better and more numerous links are needed between economic governance mechanisms and cohesion policy;
- 117. Welcomes that DG REGIO, in reply to Parliament’s questions, detailed its country specific recommendations;
- 118. Is aware that some provisions of the revised Financial Regulation concerning cohesion policy are supposed to enter into force retroactively;
- 119. Is concerned that such modifications may become a source of additional errors, as programmes and projects were selected on the basis of regulations which entered into force on 1 January 2014;

The findings of the Court

- 120. Notes that the Court issued, for the first time, a qualified opinion on the legality and regularity of payments underlying the accounts; stresses that reimbursement schemes remain more error prone than entitlement schemes; points out, however, that the data recorded, under the heading “Economic, social and territorial cohesion” did not fundamentally change compared to previous year ;
- 121. Recalls that in 2016 the available amount under the heading “Economic and social cohesion” amounted to EUR 51,25 billion, representing 33% of the Union budget;
- 122. Notes that the Court estimated the level of error in this policy area at 4,8%; furthermore that the Court observed that the estimated level of error for cohesion did not include a quantification of 2016 disbursements to financial instruments, amounting to EUR 2,5 billion, that the Court considered to be outside the eligibility period defined in Article 56(1) of Council Regulation (EC) No 1083/2006 (OJ L 210, 31.7.2006, p. 25) (paragraphs 6.20 to 6.21); observes that these disbursements would represent an estimated level of error of 2,0 % to overall Union expenditure²;
- 123. Points out that the errors in cohesion contributed to 43% of the overall estimated level of error of 3,1%;
- 124. Notes that the Court analysed a sample of 180 transactions coming from 54 interim payments for 2007-2013, and related to 92 European Regional Development Fund

¹ The report can be found here: http://ec.europa.eu/regional_policy/en/information/cohesion-report/.

² OJ C 322/2017, 28/9/2017, p. 19 Box 1.2 footnote 1.

(ERDF) projects, 36 Cohesion Fund (CF) projects, 40 European Social Fund (ESF) projects, 11 ERDF financial instruments and one ESF financial instrument;

125. Notes also that 42% of the errors were caused by ineligible casts included in expenditure declarations, 30% relate to serious failure to respect public procurement rules, and 28% relate to ineligible projects, activities or beneficiaries;
126. Welcomes that the Court emphasised that projects using the simplified cost options are less error-prone than reimbursements of actual costs;
127. Is concerned that the sample comprised also three “major projects”, which required the approval of the Commission, and for which Member State authorities had not submitted the necessary application by the 31 March 2017 closure deadline; notes that the Commission should therefore recover the expenditures;
128. Is dissatisfied that, as in previous years, the error rate could have been 3,7% lower, had Member States used the information available to them to prevent, or to detect and correct, the errors in first level checks before declaring the expenditure to the Commission;
129. Is worried that years after the start of the 2014-2020 period, Member States have designated only 77 % of the programme authorities responsible for cohesion policy funds; as of 1 March 2017 the Commission received final accounts with expenditure covering just 0,7 % of the budget allocated for the entire programming period; as of mid-2017, the delays in budget implementation were greater than they were at the same point in the 2007-2013 period; notes that consequently, the outstanding commitments at the end of the current financing period could be even higher than in the previous one;
130. Appreciates that the chapter on “Economic, social and territorial cohesion” also contains a section on performance of projects; regrets however that this section largely concentrates on quantitative information, i.e. the number of performance measurement systems in place;

Financial engineering instruments

131. Recalls that the summary of data on the progress made in financing and implementing financial engineering instruments in 2016 was only published on 20 September 2018, and that therefore the Court could not comment on the document;
132. Notes that the key figures for 2016 are the following:
 - (a) there are 25 Member States using financial engineering instruments, with 25 using them for enterprise support, 11 for urban development and 9 for energy efficiency and renewable energies;
 - (b) there are 1,058 financial engineering instruments across the Union, comprised of 77 holding funds and 981 specific funds;
 - (c) 89% of these financial engineering instruments are providing support for enterprises, 7% for urban development, 4% for energy efficiency and renewable energies;

- (d) payments into financial engineering instruments amount to EUR 16,4 billion, including EUR 11,3 billion in structural funds;
 - (e) payments to final recipients amount to EUR 15,2 billion, including EUR 10.1 billion in structural funds, i.e. 93% of total payments to financial engineering instruments;
 - (f) based on the 81% of financial engineering instruments that reported, management costs and fees totalled EUR 0.9 billion or 6.7% of total payments to the financial engineering instruments concerned;
 - (g) EUR 8.5 billion of resources were returned;
 - (h) 314,000 final recipients were supported;
133. Points out that over the years and financing periods the use of FEIs has increased dramatically, rendering structural fund funding more complex and thereby creating risks for democratic accountability; notes that it is expected that EUR 20,1 billion of European Regional and Development (ERDF) and Cohesion Funds (CF) will be delivered through financial instruments by the end of 2020;
134. Is concerned, in this context, that the national audit authorities did not sufficiently cover implementation of financial engineering instruments;
135. Determines that 63% (675) of the financial engineering instruments were launched in Poland (247), France (152), Hungary (139) and Italy (137);
136. Regrets that 6,7% of total payments to the financial engineering instruments concerned (EUR 900 million) went into management costs and fees; considers this amount to be inappropriately high;
137. Notes that a number of errors and discrepancies remain in the reporting of data; these include small but significant amounts of operational programme resources committed in the funding agreements but not paid to financial engineering instruments at closure, an increase in both committed amounts payments to a number of financial engineering instruments after 31 December 2015 and, in some cases, higher amounts paid to final recipients than to the financial engineering instruments ¹;

The AAR of the Directorate General for Regional and Urban Policy (DG REGIO)

138. Notes that the DG REGIO highlights its contribution to the EU 2020 objectives:
- (a) creating jobs, growth and investments,
 - (b) developing the digital single market,
 - (c) further energy efficiency and the digital Single Market,

¹ Summary of data on the progress made in financing and implementing financial engineering instruments reported by the managing authorities in accordance with Article 67(2)(j) of Council Regulation (EC) No 1083/2006, page 11.

- (d) enhancing the effectiveness of the Single Market, and
 - (e) assisting the effective integration of migrants;
139. Underlines that any conclusions with regard to performance remain limited, as this would require a more comprehensive review of performance data reported by 2007-2013 programmes, which will only be finalised by August 2017; calls on the Commission to inform the Committee on Budgetary Control on the outcome of the review;
140. Observes that the Commission reports, for the implementation of the 2014-2020 financing period, that more than 50 000 projects were selected corresponding to EUR 64,1 billion of total investment, that 45 000 cooperation projects of enterprises with research institutions have been created, that more than 380 000 small and medium sized enterprises (SME) have received support from cohesion funding, resulting in more than 1 000 000 jobs;
141. Observes that the Commission reports also, for the same financing period, that more than EUR 75 billion from European Regional and Development Fund (ERDF) and from the Cohesion Fund support energy union objectives and climate change adaptations; in addition, more than 5 000 projects were selected on the ground to support the low-carbon economy;
142. Notes that the table below shows the total commitment and payment appropriations authorised in 2016:

2016 in EUR million	Commitment appropriations authorised	Payment appropriations authorised
Administrative expenditure of the 'Regional and urban policy' policy area	16,75	24,52
European Regional Development Fund (ERDF) and other regional operations	27 163,16	22 911,83
Cohesion Fund (CF)	8 775,98	7 456,71
Instrument for Pre-Accession Assistance - Regional development and regional and territorial cooperation	54,14	522,95
Solidarity Fund	81,48	68,48
Total	36 091,51	30 984,47

143. Remarks however that these statistical data give little information on the sustainability and performance of these projects;
144. Attaches great importance to the ex-ante conditionalities, which set out sector-specific and horizontal conditions to ensure effective spending; believes that once the ex-ante conditionalities are fulfilled, together with the 10% retention from payments foreseen by the revised regulation, implementation of projects will be easier and less error-prone;
145. Regrets that only 87% (181 of 209) of the certifying authorities had not been designated

by the end of 2016, and that no authority had been designated for 28 mainstream programmes (in Austria, an authority was designated for only 1 programme, in Belgium, for only 2, in Germany, for only 8, in Finland, for only 1, in France, for only 2, in Ireland, for only 2, in Italy, for only 6, in Romania, for only 4, in Slovakia, for only 1, in the United Kingdom, for only 1);

146. Notes with surprise that the main difficulties identified in the designation process related to the set-up of IT systems to feature the new elements of the 2014-2020 period in terms of reporting and the design of procedures to ensure a robust supervision of managing authorities over intermediate bodies;
147. Regrets furthermore that in general only 26,1% of projects were selected, and only 3,7% of the available structural funds absorbed at the end of 2016 and whereas the selection process accelerated in 2017, the slow start may lead to a high number of outstanding commitments at the end of the current financing period;
148. Emphasises that project selection was particularly slow in Spain, Cyprus, Romania, Austria, in the Czech Republic, in Croatia and Slovakia;
149. Notes that, consequently, for most of the operational programmes (247 out of 295) no amounts were certified in the accounts ("zero accounts") since no expenditure was declared until 31/07/2016;
150. Is satisfied that the Commission, on the basis of preliminary audit opinions on the received assurance packages, detected no material inconsistencies;
151. Is concerned however that 7 of 9 Commission audits into high risk operational programmes or areas revealed significant deficiencies (in Hungary, the transport, electronic administration and implementation operational programmes; in Italy, the *Reti e mobilità, istruzione* priority 3 and technical assistance operational programmes; in Romania, the competitiveness and environment operational programmes);
152. Notes that 278 of 322 management and control systems received an unqualified or a "qualified with moderate impact" opinion; whereas in 40 cases the Commission issued a qualified opinion with significant impact;
153. Notes that the Commission calculated the overall amount at risk at payment to amount to between EUR 644,7 and EUR 1 257,3 million, and that the Commission implemented financial corrections, as a result of its supervisory role, of EUR 481 million in 2016;
154. Notes that the Commission estimated the overall average error rate on 2016 payments for the 2007-2013 ERDF/CF programmes to be in the range of 2.2% to 4.2%, and the residual error rate at closure to be approximately 0.4%;
155. Notes that the Commission recorded 68 reservations for the past and 2 reservations for the current financing period;

Specific issues

Greece

156. Welcomes DG REGIO's efforts to make progress with the priority project list in Greece;
157. In this context, welcomes:
- (a) the establishment of four highway concessions (Athens-Thessaloniki, Korinthos-Tripoli-Kalamata, Korinthos-Patras and Patras-Ioannina; covering between them more than 1,000 km of road), which are now operational and very much appreciated by users,
 - (b) the programme "energy savings in households" (combination of FEI with grants), which improved energy efficiency in 46,000 households and created 6,000 jobs; demand was so high that a successor programme for 2014-2020 was immediately created,
 - (c) financial instruments, notably JEREMIE, allowing the creation or safeguarding of more than 20,000 jobs,
 - (d) the e-prescription for medicines project, which manages monthly more than 5.5 million electronic prescriptions and 2.4 million diagnostic referrals, with the involvement of 13,000 pharmacies and 50,000 doctors, and has led to considerable cost savings for the Greek public health budget;
158. Regrets on the other hand that:
- (a) the metro projects in Athens (line 3 extension to Piraeus) and Thessaloniki (base line) have incurred serious delays which necessitated their phasing into the 2014-2020 programming period;
 - (b) some key projects in the railway, digital and energy sectors were cancelled or are delayed, and that as a consequence they have been phased or transferred in their entirety to the 2014-2020 programming period;
 - (c) a large part of the waste water and solid waste management infrastructures remain to be completed;

Czech Republic

159. Calls on DG REGIO to keep the European parliament informed about future progress;
160. Welcomes the fact that the European Anti-Fraud Office (OLAF) has completed its administrative investigation into the *Czech "stork nest" project*; takes note that the OLAF case file has been publicised by the Czech media; regrets that OLAF found serious irregularities;
161. Calls on DG REGIO to recover the Union co-financing involved, i.e. EUR 1,67 million;
162. Calls on the Czech authorities to take appropriate judicial follow-up action to the violation of Czech and European legal provisions;

Hungary

163. Is concerned at the Commission's observation:

- (a) that public spending in Hungary suffers from a lack of transparency, and corruption risk in public decision making is perceived to be high;
- (b) that audit findings reveal irregularities such as breaches of public procurement rules, ineligible expenditure or overpricing of the financed projects;
- (c) that, in 2017, six out of the 13 operational programmes of the 2007-2013 period were under reservation;
- (d) that Hungary was the Member State with the highest amount of financial corrections applied in the year 2016 (EUR 211 million);
- (e) that the European Anti-Fraud Office (OLAF) has, since 2012, issued 37 recommendations on the basis of which indictments have been filed in eight cases; and that currently OLAF has 14 ongoing investigations in Hungary which concern mostly structural and agricultural funds;

Poland

164. Calls on the Commission to ensure that the projects selected by managing authorities are sustainable, i.e. they will be operational and suitably maintained, through earmarked resources secured by the beneficiaries;
165. Calls on the Polish authorities to refrain from making Union legislation more complex by adding national rules ("gold plating") which go beyond the requirements of EU regulations;
166. Is concerned by very slow progress in implementing 2014-2020 EU projects in the railway sector, with key contracts still to be concluded in 2017; notes that cumbersome legal, financial and administrative procedures, together with bottlenecks caused by the railway infrastructure management (PLK S.A.) persist and have led to project delays and insufficient investment;

Volkswagen Group

167. Notes that OLAF has also completed an administrative investigation into a loan granted to the Volkswagen Group by the European Investment Bank (EIB);
168. Takes note of a statement made by the EIB President, Werner Hoyer, stating that: "We still cannot exclude that one of our loans, the 400m EUR loan 'Volkswagen Antrieb RDI', was linked to emission control technologies developed at the time the defeat software was designed and used. We will now review OLAF's conclusions and consider all available and appropriate action. [...] We are very disappointed at what is asserted by the OLAF investigation, namely that the EIB was misled, by VW about the use of the defeat device.";

The AAR of Directorate General Employment, Social Affairs and Inclusion (DG EMPL)

169. Notes that the DG EMPL highlights as follows its contribution to the EU 2020

objectives:

- (a) the EU employment rate for 20 to 64 year-olds reached 71.2% in the third quarter of 2016; this rate is now above that seen in 2008 (70.3%) for the first time and the target rate of the Europe 2020 strategy may be reached if the trend continues;
 - (b) total unemployment continues to decline and it is now below 10% for both the EU and the euro area; however, youth unemployment and long-term unemployment remain major challenges for the EU, despite the respective observed decline from 19.5% in December 2015 to 18.6% in December 2016, and from 4.3% in the third quarter of 2015 to 3.8% in the third quarter of 2016;
 - (c) the economic recovery that started in 2013 has also been accompanied by a continuous reduction in poverty, measured by the rate of people at risk of poverty dropping from 24.7% in 2012 to 23.7% in 2015;
 - (d) investments to improve the conditions for geographic and professional mobility while tackling risks of distortions and abuses have contributed to a progressive increase in the mobility rate within the EU, which reached 3.6% of the population in 2015;
170. Regrets however, that the disparity in income distribution increased between 2013 and 2014 and has remained stable since then;
171. Welcomes the "Ex-post evaluation of the ESF 2007-2013 programming period", which was finalised on 12 December 2016; notes that it found that, at the end of 2014, at least 9.4 million European residents had found a job with support from the ESF, 8.7 million had gained a qualification or certificate and other positive results, such as increased skills levels, were reported by 13.7 million participants; notes that the ESF has also had a positive impact on Gross Domestic Product (GDP) of the 28 Member States (0.25% increase) and productivity, according to macroeconomic simulations;
172. Observes that such quantitative data do show indeed a positive trend but say little about performance and sustainability of the measures;
173. Strongly criticises DG EMPL for not having published the directorate's proposals for country specific recommendations, although Parliament has repeatedly asked for it to do so;
174. Notes that the table below shows the total commitment and payment appropriations authorised in 2016:

2016 in EUR million	Commitment appropriations authorised	Payment appropriations authorised
The European Social Fund (ESF) and the Youth Employment Initiative (YEI)	12 438,2	8 132
The Fund for European Aid to the Most Deprived (FEAD)	534,7	278
The European Globalisation Adjustment Fund	27,6	27,6

The Instrument for Pre-Accession Assistance – Human Resources Development (IPA-HRD)	0	82,3
Direct Management (Programme for Employment and Social Innovation, Rights, Equality and Citizenship Programme, Erasmus+) and agencies	289	275
Total	13 290	8 795

175. Welcomes the fact that the DG EMPL has developed a methodology to assess yearly the performance of programmes, but has doubts about the information value of criteria such as “good”, “acceptable” or “poor”;
176. Is concerned that, by March 2017, only 87% of certifying authorities had been designated;
177. Welcomes the fact that DG EMPL had received, by 15 February 2017, a full assurance package including the accounts, the annual control report and the audit opinions on the accounts, the management and control system and the legality and regularity of the underlying transactions, and the assurance declaration and annual summary for all programmes; notes that in general, DG EMPL had only minor observations and accepted the annual accounts;
178. Welcomes also the fact that by the end of 2016, DG EMPL had completed its multiannual audit plan, as a result of which 89 audit authorities of 92 had been audited covering 115 of the 118 operational programmes;
179. Notes that in 2016, DG EMPL implemented financial corrections amounting to EUR 255,8 million; that the total cumulative accepted or decided amount of financial corrections for the 2007-2013 programming period stands at the end of 2016 at EUR 1 454 million; and that for the same period Member States reported financial corrections worth EUR 2 253,8 million;
180. Regrets that DG EMPL maintained or issued the following reservations, concerning:
- (a) management and control systems for one ESF operational programme in Italy for the programming period 2000-2006 (reputational reserve);
 - (b) management and control systems for 23 specific ESF operational programmes in Austria, Belgium, Cyprus, Estonia, Germany, Spain, Finland, Hungary, Italy, Romania, Slovakia and the United Kingdom for the 2007-2013 programming period; and
 - (c) management and control systems for 3 ESF or YEI and 1 FEAD operational programmes in Bulgaria, Croatia, France and Italy for the programming period 2014-2020;
181. Notes that the estimated overall amount at risk for the 2016 relevant expenditure is EUR 279 million;

Specific Issues

Youth Employment Initiative (YEI)

182. Was informed of the first findings of a study into the implementation of the Youth Employment Initiative (YEI), which reported that:
- (a) by end of 2016, the number of young persons not in employment, education or training (NEET) that have participated in YEI-supported projects that boost their skills or allow them to have a working experience tripled compared to end of 2015 (1.3 against 0.5 million people);
 - (b) among them, 712,000 unemployed and inactive participants not in education or training have completed a YEI-funded intervention; more than half of them, (around 346,000 unemployed and inactive participants not in education or training) have achieved a positive outcome since they have moved into education/training, or gained a qualification, or are in employment (including self-employment), upon leaving the intervention;
 - (c) over 70% of the total financial resources under the Youth Employment Initiative have been allocated to selected projects across the eligible regions;
183. Notes furthermore, that:
- (a) Italy and Spain have mobilised a significant number of NEETs through YEI actions despite the still high youth unemployment in the countries;
 - (b) Slovakia has shifted the focus away from public works schemes for young people towards more effective measures such as increased provision of professional training;
 - (c) in Italy, a counter-factual evaluation showed that new innovative policies largely supported by the YEI increased the occupational chances of young people by 7.8%, despite significant regional differences;
 - (d) in Portugal, YEI co-financed entrepreneurship programmes proved more successful than higher education measures;
 - (e) Greece has identified the need to review its voucher system for youth employment and training;
 - (f) in Poland, 62% of YEI participants received an offer of employment, training, or education, with an overall high level of participants' satisfaction;
184. Point out nevertheless that barely 30% of the available funds have been used, which reflect initial pre-financing and interim payments;
185. Welcomes that, by October 2017, all Member States to which the ex-ante conditionality on *Roma* applied (Austria, Belgium, Bulgaria, the Czech Republic, France, Germany, Greece, Hungary, Lithuania, Poland, Portugal, Romania, Slovakia and Spain) had fulfilled it and therefore had a national Roma integration strategy;

186. Notes that for the 2014-2020 programming period, two ESF investment priorities address directly non-discrimination and Roma integration (see table below)

Investment priority (IP)	Member States who have selected the IP	Financial allocation (EUR million)
Combating all forms of discrimination and promoting equal opportunity	11 Member States (BE, CY, CZ, DE, ES, FR, GR, IE, PL, PT and SK).	447
Socio-economic integration of marginalised communities such as Roma	12 Member States (AT, BE, BG, CZ, ES, FR, GR, HU, IT, PL, RO and SK).	1 600 The majority of funding (EUR 1,2 million EUR) is concentrated in the following countries: BG, CZ, HU and RO

Measures to be taken

187. Calls therefore on Member States and the Commission to pay more attention, under the post 2020 financial period, to:

- (a) creating EU added-value with cohesion policy;
- (b) building a stronger link between cohesion, economic governance and the European semester;
- (c) devising a system which allows concentration of cohesion funding on regions which need it most;
- (d) drafting a single set of rules for structural funds;
- (e) making progress towards implementing the single audit principle;
- (f) faster implementation of programmes and projects, with a view to respecting the seven year financial period (no n+3);
- (g) bringing financial engineering instruments under the EU budget, thereby enhancing transparency and accountability;

188. Insists that the DG REGIO and on DG EMPL publish its proposals for the country specific recommendations in their respective AAR, as repeatedly requested by the European Parliament;

189. Calls on:

- (a) DG REGIO to report back to Parliament's responsible committee when the "stork nest" file has been closed;

- (b) DG REGIO to report back to Parliament's responsible committee about the different pending OLAF files when related legal proceedings have been completed;
 - (c) Calls on DG REGIO to report back to Parliament's responsible committee, in the 2016 Commission discharge follow-up, on progress made with railway related projects in Poland;
190. Calls on the EIB to review urgently the OLAF findings and draw the necessary conclusion; calls on the EIB to inform the European Parliament of its conclusions and measures taken;
191. Calls on DG EMPL to encourage the use of the simplified cost option;
192. Calls on DG EMPL to put in place the recommendation of the Internal Audit Service (IAS) with regard to the early implementation of the control strategy for the European Structural Investment Fund (ESIF) and inform the Parliament about its completion;

Natural resources

Key performance indicators (KPI) and fair CAP

193. Points out that according to the AAR of DG AGRI (page 15 - KPI 1: agricultural factor income per full-time worker), the sector's value added and productivity dipped slightly again in 2016 and that, for the DG AGRI, it is difficult "to pinpoint what exactly caused the overall decline in factor income since 2013"
194. Recalls that KP 4 on the employment rate in rural development is not relevant, as the employment rate in rural development is not solely influenced by CAP measures;
195. Regrets that the Commission did not follow up the recommendations issued by the Parliament in its resolution accompanying the discharge for the financial year 2015 to redefine KPI 4 "in order to stress the specific impact of the CAP measures on the employment in those areas";
196. Points out that in 2016 51% of the beneficiaries of direct payments were granted less than EUR 1250 amounting to a total of 4 % of the total direct payments¹;
197. Notes that if 20% of the CAP beneficiaries receive 80 % of the funds it is because "the distribution of direct payment largely reflects the concentration of land, 20% of farmers also owning 80% of the land; (reply to written question 17 at the CONT hearing with Mr Hogan on 28 November 2018);
198. Notes that about 72 % of aid is paid to farms of between 5 and 250 hectares, which are generally family-owned;
199. Regrets that DG AGRI has not defined any objective accompanied with indicators to

¹ See DG AGRI AAR 2016, page 17.

reduce the income inequalities between farms;

- 200. Reiterates its view that direct payments may not fully play their role as a safety net mechanism for stabilising farm income, particularly for smaller farms given the unbalanced distribution of payments;
- 201. Is of the opinion that larger farm incomes do not necessarily need the same degree of support for stabilising farm incomes as smaller farms in times of income volatility since they may benefit from economies of scale which are likely to make them more resilient;

Error rate

- 202. Points out that the Court has estimated that the level of error for the natural resource chapter as a whole is 2.5 % (2.9% in 2015 and 3.6% in 2014); welcomes the positive evolution of the error rate whilst noting that the 2016 figure is above the materiality threshold;
- 203. Welcomes the fact that the assessment of the Court as to the European Agriculture Guarantee Fund (EAGF) finds that market and direct support payments are free from material error in 2016, the most likely error rate being estimated by the Court at 1.7% (2.2% in 2015);
- 204. Stresses that the Court noted fewer errors due to overstated or ineligible land claimed by the farmer which is due to the introduction of a new more flexible definition of permanent grassland, the achievement of action plans to improve the quality of data in Land Parcel Identification Systems and the new online geo-spatial system to submit applications;
- 205. Notes that the greening payments have been a source of errors impacting 17% of the level of error estimated by the Court and that the errors were found mainly to be related to the ecological focus area requirements;
- 206. Points out that the Court also found weaknesses in the protection of permanent grassland, the Czech Republic and Poland not having the historical data to check compliance with the obligation of having arable land covered with grass for five consecutive years whilst Germany, France, Italy, Portugal and the United Kingdom had not classified permanent grassland in a fully reliable way;
- 207. Points out that the positive trend in the error rates issued by the Court is not corroborated by the evolution of the amounts at risks reported by DG AGRI in its AARs, namely from 1.38% in 2015 to 1.996% in 2016 (the market measures with an error rate of 2.85% being not included) and 4% for both financial years in rural development;
- 208. Regrets that the payments in rural development, environment, climate action and fisheries are not free from material error in 2016, the most likely error rate being estimated at 4.9% (5.3% in 2015); notes that if all the information held by the national authorities had been used to correct errors the estimated level of error would have been 1.5 percentage points lower;

209. Notes that in rural development, three of the largest eligibility errors involved beneficiaries who did not disclose that they were controlled by, applying jointly with, or purchasing from linked companies in breach of Union or national rules (ECA annual report 2016, paragraph 7.26);

Management and control systems

210. Points out that in its annual activity report, the director general of DG AGRI issued a reservation in direct payments concerning 18 paying agencies comprising 12 Member States and that the amount managed by the paying agencies with a reservation and put under reinforced scrutiny is EUR 13.618.6 million, the actual amount at risk for the expenditure under reservation being EUR 541.2 Million;
211. Stresses that weaknesses were detected in particular in the management and control system of Hungary (concerning late management declaration by the paying agency and deficiencies in greening payments), Bulgaria (concerning greening and the organic status of farmers), Poland (concerning greening payments) and Italy (concerning deficiencies in correctly establishing the eligibility of land and an active farmer);
212. Asks the Commission to speed up the conformity clearance procedure opened on 8 January 2016 to get detailed and precise information on the risk of conflicts of interest concerning the State's Agricultural Intervention Fund in the Czech Republic; takes note that a failure to remedy a conflict of interest may ultimately result in withdrawal of the accreditation of the paying agency by the competent authority or in the imposition of financial corrections by the Commission; asks the Commission to inform the Parliament without delay if at the end of the conformity clearance procedure information related to possible cases of fraud, corruption or any illegal activity affecting the financial interests of the Union are transmitted by OLAF to DG AGRI;

Reliability of the data communicated by the Member States

213. Points out that since the error rates reported by the Member States for each paying agency are not always reliable, DG AGRI adjusts that level of error based mainly on the Commission's and the Court's audits carried out in the last three years;
214. Points out that despite the fact that since 2015 the certification bodies of the Member States have a duty to check the legality and regularity of the transactions:
- (a) for market measures, DG AGRI has made adjustments to a total of 32 schemes (i.e. less than 20% of the total number of schemes for which expenditure was declared in 2016);
 - (b) for direct payments, adjustments were made in 52 cases (out of 69) whilst the majority of these adjustments were of less than 1 %, 7 were of between 1 % and 2% and 9 were of more than 2%;
 - (c) for rural development, top ups have been applied for 39 paying agencies out of 72 with 21 adjustments of more than 1 % and 16 above 2%;

Performance issues in rural development

215. Welcomes the fact that the Court has examined performance related issues for sampled rural development transactions over the last three years; notes with satisfaction that 95 % of projects completed at the time of the audit had been carried out as planned, but regrets that there was insufficient evidence that the costs were reasonable;
216. Stresses that almost all the projects audited by the Court used a system which reimbursed the cost incurred and notes that in the 2014-2020 programming period, Member States may, as an alternative, use a system of simplified cost options involving standard scales of unit costs, lump sums and flat -rate financing, which effectively limits the risk of excessive prices;

Greening

217. Notes that the Court of auditors reported in its annual report 2016 (paragraph 7.17) in relation to the greening payments made to 63 farms visited by it that:
- (a) all those subject to the crop diversification requirement were compliant;
 - (b) most of the greening errors concerned non-compliance with Ecological Focus Area (EFA) requirements whilst;
 - (c) the parcels were correctly recorded in the Land Parcel Identification System (LPIS) as to the maintenance of existing permanent grassland;
 - (d) not all permanent grassland had been properly recorded as such;
218. Is however particularly concerned by the first conclusions drawn by the Commission in its staff working document on “Review of greening after one year” SWD (2016)218 second part page 14 that: “Overall farmers would have to change crops on less than 1% of the total arable land in the EU in order to comply with the crop diversification requirement, and since the vast majority of arable land in the EU is subject to the crop diversification obligation this limited impact appears to reflect current practices by farmers who already are compliant”;
219. Stresses that the Court confirms in its annual report (paragraphs 7.43 to 7.54) the analysis made by the Commission pointing out that the crop diversification and the EFA scheme led to no changes for the majority of the farms that it visited (89% for the crop diversification and 67% for the EFA);
220. Is particularly concerned that according to the ECA special report 21/2017 entitled “Greening: a more complex income support scheme, not yet environmentally effective”; “Greening is unlikely to provide significant benefits for the environment and climate (...) because greening requirements are generally undemanding and largely reflect normal farming practice” (page 47);
221. Furthermore, points out that the Court states that due to extensive exemptions, most farmers (65 %) are able to benefit from the green payment without actually being subject to greening obligations; as a result, greening leads to a positive change in farming practices on only a very limited share of EU farmland;

222. Regrets that the greening schemes are more an instrument for supporting farmers' income than to enhance CAP's environmental and climate performance;
223. Deplores the fact that, as they are part of area-based payments, the greening schemes will increase the imbalances in the distribution of CAP support;
224. Points out with concern that according to the Commission: "the actual impact (of the greening schemes) on environmental outcomes depends on the choices made by Member States and farmers and that so far few Member States made use of the possibilities to limit the use of pesticides and fertilisers in the ecological focus areas";
225. Stresses that for public administration, the burden of greening essentially lies with the development of new management tools such as the EFA layer of the LPIS, which partly explains why DG AGRI has increased the number of reservations and action plans imposed on Member States;
226. Deplores the fact that greening adds significant complexity to the CAP due to overlaps with the CAP's other environmental instruments (cross-compliance and the Pillar II environmental measures), which creates the risk of double funding;

Young farmer scheme

227. Points out that with huge disparities in the development of the farming sector across the EU, a major problem is the demographic challenge, requiring policies to address the shortage of young farmers in order to ensure the long-term sustainability of agriculture in the Union;
228. Stresses that young farmers face specific difficulties in accessing finance and low turnover in the first years of business, combined with slow generational renewal and difficulty in accessing agricultural land;
229. Points out that the falling number of young people in the sector makes generational renewal more difficult and can mean the loss of valuable skills and knowledge as older, experienced people, retire; as a consequence, insists that support is needed for both retiring farmers and young successors taking over a farm;
230. Is particularly concerned by the fact that in its special report 10/2017 on support for young farmers, the Court notes that for direct payments, the aid to young farmers:
- (a) is not based on a sound needs assessment;
 - (b) does not reflect the general objective of encouraging generational renewal;
 - (c) is not even always provided to young farmers in need; and
 - (d) is sometimes provided to holdings where young farmers play only a minor role;
231. Regrets that, as to the support to young farmers via rural development schemes, the Court concluded that the measures are generally based on a vague needs assessment and that there is no real coordination between Pillar I payments with Pillar 2 support to young farmers;

Measures to be taken

232. Calls on:

- (a) the Commission to carefully analyse the causes of the overall decline in factor income since 2013 and to define a new key performance objective, accompanied with indicators, aiming at mitigating the income inequalities between the farmers;
- (b) the Member States to make further efforts to include reliable and up-to date information in their LPIS database;
- (c) the Commission to review the approach taken by paying agencies to classifying and updating land categories in their LPIS and to perform the required cross-checks in order to reduce the risk of error in greening payments;
- (d) the Commission to take appropriate measures to require that Member States' action plans in rural development include remedial actions addressing frequently found cases of error;
- (e) the Commission to provide guidance and disseminate best practices among national authorities to ensure that their checks identify links between applicants and other stakeholders involved in supported projects of rural development;
- (f) the Commission to continue to be vigilant as to the checks performed and the data communicated by the Member States' authorities;
- (g) the Member States to fully exploit the possibilities offered by the system of simplified cost options in rural development;
- (h) the Commission to prepare and develop, for the next CAP reform, a complete intervention logic for EU environmental and climate-related action regarding agriculture, including specific targets and based on an up-to-date scientific understanding of the phenomena concerned;

233. Calls on the Commission to be guided by the following principles in the building of a new proposal concerning greening:

- (a) Farmers should only have access to CAP payments if they meet a single set of basic environmental norms including GAECs and greening requirements which are both meant to go beyond the requirements of environmental legislation;
- (b) Specific, local environmental and climate-related needs can be appropriately addressed through stronger programmed action regarding agriculture;
- (c) When Member States are given options to choose from in their implementation of the CAP, they should be required to demonstrate, prior to implementation, that the options they select are effective and efficient in terms of achieving policy objectives, and in particular those of greening;

234. Calls on the Commission:

- (a) to perform a comprehensive evaluation of all the existing CAP policies and tools which can be combined to help young farmers and to identify the obstacles to establishing farms for young farmers which can be addressed in the future revision of the CAP;
- (b) to insert in the legislation for the post-2020 CAP (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; the intervention logic should include:
 - a sound assessment of young farmers' needs;
 - an assessment of which needs could be addressed by EU 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;
 - awareness-raising measures of possible types of assistance for earlier transfer of a farm to a successor with accompanying advisory services or measures like a satisfactory retirement scheme based on national or regional income or revenues in the agricultural, food and forestry sector;
 - 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; in particular, it should be clear if the policy instruments should aim at supporting as many young farmers as possible or target a specific type of young farmers;
- (c) to ensure that through its proposed legislation for the post-2020 CAP, the Commission and the Member States (in line with the shared management provisions) improve the monitoring and evaluation system;

Global Europe

Error rates

- 235. Points out that, according to the findings of the Court, spending on "Global Europe" is affected by a material level of error with an estimated level of error of 2.1%, (2.8% in 2015, and 2.7% in 2014); welcomes the positive trend in the error rate in this policy area;
- 236. Regrets that when excluding the multi-donor and budget support transactions the error rate for the specific transactions directly managed by the Commission has been quantified at 2.8% (3.8% in 2015; 3.7% in 2014);
- 237. Points out that the Commission and its implementing partners committed more errors in transactions relating to grants as well as contribution agreements with international organisations than they did with other forms of support; points out, in particular, that the

budget support transactions examined by the Court were free from errors of legality and regularity;

238. Notes that if all the information held by the Commission - and auditors appointed by the Commission - had been used to correct errors, the estimated error rate for the Global Europe chapter would have been 0.9 % point lower;
239. Points out that:
- (a) 37% of the estimated level of error is attributable to expenditure for which essential supporting documentation was not provided,
 - (b) 28% of the estimated level of error is accounted for by two cases for which the Commission accepted expenditure that had not actually been incurred; regrets that this situation was already detected last year and points out that the transaction testing of the Court revealed some control weaknesses in the Commission's systems,
 - (c) 26% of the estimated level of error concerns ineligible expenditure: i.e. expenditure related to activities not covered by a contract or incurred outside the eligibility period, non-compliance with the rule of origin, ineligible taxes and indirect costs wrongly charged as direct costs;

Declaration of assurance

240. Is deeply concerned by the fact that according to the Court, DG NEAR auditors have detected weaknesses in the indirect management of the second instrument of pre accession assistance (IPA II), more specifically, at the audit authorities of three IPA II beneficiary countries - Albania, Turkey and Serbia; points out that while the Albanian and Serbian audit authorities have made changes aiming to solve the problems detected, there are some "significant areas of the Turkish audit authority's systems which might still limit the assurance it can provide to the Commission" ECA annual report 2016 paragraph 9.24);
241. Is concerned by the fact that the Court estimated that the DG NEAR corrective capacity has been overstated and consequently the total amount at risk at payment as well;

Performance

242. Noted that DG DEVCO has defined in its annual activity report key performance indicators relating to human development, climate change, gender and error rate but regrets that none of those indicators are able to measure the performance of the development cooperation policy as they only indicate the part of aid allocated to each of the objectives instead of measuring the progress achieved to pursue the objectives;
243. Is concerned by the fact that the Internal Audit Service (IAS) of the Commission stated that "in terms of reporting, the type of information on DG DEVCO's performance provided by the different Strategic Planning and Programming-related reports (Annual activity report, Sub-delegated Authorising Officers report, EAMR) is limited and does not give an actual assessment of whether objectives have been achieved or not";

External assistance management reports

244. Regrets once again that the external assistance management reports (EAMR) issued by the heads of Union delegations are not annexed to the AARs of DG DEVCO and NEAR as it is foreseen by Article 67. 3 of the Financial Regulation; regrets that they are systematically considered as confidential whilst in accordance with Article 67.3 of the Financial Regulation, "they shall be made available to the European Parliament and the Council having due regard, where appropriate, to their confidentiality";
245. Welcomes the fact that DG DEVCO made public the list of the delegations involved in the EAMR and provided an analysis of DG DEVCO KPIs summary in its annual activity report; insists, however, that the financial regulation should be fully respected;

Trust funds

246. Recalls that the possibility for the Commission to create and manage Union trust funds is meant:
- (a) to enhance the international role of the European Union, as well as strengthen the visibility and efficiency of its external action and development assistance;
 - (b) 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;
 - (c) to ensure the leverage of additional resources devoted to external action; and
 - (d) via the pooling of resources, to increase coordination between different Union donors in selected areas of intervention;
247. In the light of the recent experiences, expresses some concerns as to achievement of the main objectives pursued by the setting up of the trust funds and notes, in particular, that:
- (a) the leverage effect of this new tool is not necessarily guaranteed, the contribution of other donors being in certain cases very limited;
 - (b) despite the existence of different arrangements with the stakeholders, the visibility of the external action of the Union has not improved and that a better coordination of the action of all the stakeholders is not necessarily ensured;
248. Recalls in particular that the Trust Fund for Africa is worth over €3.2 billion, with over €2.9 billion coming from the European Development Fund and EUR 228.667 million from other donors);
249. Points out that pooling resources from the EDF, the Union budget and other donors should not have as consequence that money flagged for the ACP do not reach their normal beneficiaries;
250. Highlights that the increasing use of other financial mechanisms to deliver Union policies alongside the EU budget risks undermining the level of accountability and transparency as reporting, audit and public scrutiny arrangements are not aligned (ECA

annual report 2016, paragraph 2.31);

Measures to be taken:

251. Calls on DG NEAR (ECA annual report 2016, paragraph 9.37):
- (a) to work together with the audit authorities in IPA II beneficiary countries to improve their competence;
 - (b) to develop risks indices to improve the assessment based on internal control templates that the directorate general had rightly introduced so as to better measure the impact of errors;
 - (c) to disclose properly the scope of the residual error rate study and the estimated lower and upper error limits in its next AAR;
 - (d) to improve the calculation of the 2017 corrective capacity by addressing shortcomings identified by the Court;
252. Calls on DG DEVCO and DG NEAR to consider defining in cooperation with DG HOME a key performance indicator related to the elimination of the root causes of irregular migration;
253. Calls on the Commission to take the necessary measures in order to redress the deficiencies detected by its own Internal Audit Service regarding DG DEVCO performance reporting and to transform the EAMR into a reliable and fully public document properly substantiating the declaration of assurance made by the heads of delegation and by the director general of DG DEVCO; asks DG DEVCO to define KPs in such a way that make it possible to measure the performance of the development cooperation policy;
254. Calls on the Commission to consider putting an end to trust funds that are unable to attract a significant contribution from other donors;

Migration and Security

255. Notes that in Chapter 8 of its annual report regarding “security and citizenship”¹ the Court did not calculate an error rate on the basis of the 15 transactions that it examined, as this sample was not intended to be representative of spending under this MFF heading;
256. Notes with concern the Court finding according to which “two years into the seven year programming period progress in making shared-management Asylum, Migration and Integration Fund (AMIF²) and Internal Security Fund (ISF) payments are slow” (ECA annual report 2016, Box 8.2°);

¹ MFF heading 3 covers a range of policies; the most significant area of expenditure is migration and security ;but funding is also provided for Food and feed, and cultural and creative activities and as well as programmes covering justice, rights, equality and citizenship, and consumers and health.

² AMIF replaces the Solidarity and Management of Migration Flows programme (SOLID).

257. Points out that the Court found several system weaknesses relating to SOLID, AMIF and the ISF at Commission and Member States level;
258. In particular regrets that:
- (a) the Court stressed the high number of draft AMIF or ISF programmes prepared by the Member States and reviewed by the Commission prior to their approval, which may delay implementation;
 - (b) according to the Court, the Commission's assessment of Member States' systems for AMIF and ISF was often based on insufficiently detailed information, particularly in the area of audit strategies;
 - (c) that there were delays in the reporting of ex-post conformity audits for SOLID programmes and insufficiently documented quality control procedures for outsourced audit work;
259. Regrets that the Court also found the following deficiencies at the level of the Member States: insufficiently documented on-the-spot- checks, absence of a dedicated IT tool for the management and control of funds and some weaknesses in the audit performed by Member States audit authorities;
260. Deplores the fact that the Court has noted in its annual report that "the overall amount of funds mobilised for the refugee and migration crisis was not reported by the Commission in 2016 and is difficult to estimate"(ECA annual report, paragraph.2.28);
261. Regrets that the Court concluded as to the hotspots "(ECA special report 6:2017) that:
- (a) despite considerable support from the EU, at the end of 2016, the reception facilities in Greece and Italy were still not adequate;
 - (b) there was also a shortage of adequate facilities to accommodate and process unaccompanied minors in line with international standards;
 - (c) the hotspot approach further requires that migrants be channelled into appropriate follow-up procedures, i.e. a national asylum application, relocation to another Member State or return to the country of origin and the implementation of these follow-up procedures is often slow and subject to various bottlenecks, which can have repercussions on the functioning of the hotspots;
262. Deplores the fact that according to Human Rights Watch, women have reported frequent sexual harassment in hotspots in Greece;
263. Shares the Court's assessment regarding a lack of transparency about the split of funding between public sources and the revenue from migrants in the issue of emergency assistance to transport non-Union migrants from Greek islands to the Greek mainland, referred to by the Court in its annual report (box 8.4 of the 2016 ECA annual report); recalls that Union legislation does not allow beneficiaries of Union grants to obtain profits from the implementation of a project; considers that this case raises some reputational issues for the Commission and questions its handling from an ethical point

of view;

Measures to be taken

264. Calls on:

- (a) DG HOME to consider defining, in cooperation with DG DEVCO and DG NEAR, a key performance indicator related to the elimination of the root causes of irregular migration;
- (b) the Commission to regroup the budget lines financing migration policy under a single heading with a view to enhancing transparency;
- (c) the Commission to define specific strategies with EU support teams to ensure the safety of women and accompanied minors at hotspots;
- (d) the Commission and the Member States to take the necessary measures to provide adequate reception facilities in Greece and Italy;
- (e) the Commission and the Member States to remedy the system weaknesses detected by the Court in the management of AMIF/ISF funds;
- (f) the Commission to provide an estimated cost paid per migrant or applicant for asylumcountry by country;

Code of conduct of the Commissioners

265. Appreciates that its calls on the Commission to review the code of conduct for Commissioners by the end of 2017, including by defining what constitutes a conflict of interest as well as introducing criteria for assessing the compatibility of post-office employment and extending the cooling off period to three years for the President of the Commission, have received the required response;
266. Points out that the extension of the cooling off period should also concern the Members of the European Commission; insists that the opinions of the Ethical Committee should be made public when there are issued;
267. Fears that the appointment processes of the Independent Ethical Committee does not guarantee its independence and stresses that independent experts should not have themselves held the position of Commissioner, nor should they have held a position as a senior Commission official;
268. Asks the Commission to envisage introducing the following improvements:
- (a) acceptance of gifts from donors from Member States should be prohibited (Article 6 (4));
 - (b) the participation of Commissioners in national politics during their term of office should be suspended or limited to passive party membership;
 - (c) clarification of the reference to “diplomatic or courtesy usage” (Article 6 (2) and

- (5)), which suffers from a lack of precision and clarity and might be prone to abuse;
- (d) participation of Commissioners in national election campaigns should be aligned to participation in European election campaigning (Articles 9 and 10); in both cases, Commissioners should be obliged to take unpaid electoral leave;
 - (e) more clarity should be provided on the criteria for such possible referral to the ECJ under Article 245 or 247 TFEU;

Administration

The findings of the Court

269. Notes that the institutions collectively cut the number of posts in the establishment plan by 4,0 % over the period from 2013 to 2017 (from 39 649 to 38 072 posts), and that the institutions reduced the number of staff (posts actually occupied by a staff member) by 1,4 % between 2013 and 2017 (from 37 153 to 36 657 posts);

270. Also notes the Court's additional conclusions:

“30. However, during the same period, the budgetary authority granted new posts to the institutions, bodies and agencies in the framework of the annual budgetary procedure. These posts were made available mostly for the development of their activities (this explains the significant increase in the number of posts granted to agencies), the accession of Croatia and to the political groups in the European Parliament.

31. As a consequence, the number of posts in the establishment plans decreased by 1,1 % between 2012 and 2017 with significant variations between the institutions (- 3,5 %), decentralised agencies (+ 13,7 %) and executive agencies (+ 42,9 %). The number of posts actually occupied from 1 January 2013 to 1 January 2017 increased by 0,4 % over the period (- 1,3 % for institutions and bodies and + 11,3 % for agencies, with 9,6 % in decentralised agencies and 33,7 % in executive agencies). The average vacancy rate decreased from 6,9 % on 1 January 2013 to 4,5% on 1 January 2017 and reached a level below 2 % in some institutions and bodies.”¹;

The Jean Monnet buildings (JMO I, JMO II) in Luxembourg

271. Recognises that the construction of the new Jean Monnet building (JMOII) has encountered a considerable delay, linked to additional costs;

272. Fails to understand why it took the Commission and the Luxembourg authorities 15 years (1994 - 2009) to agree on the future arrangements for housing Commission departments in Luxembourg;

273. Looks forward to receiving the full history of JMO I/JMO II between 1975 and 2011 as

¹ European Court of Auditors, Rapid case Review on the implementation of the 5% reduction of staff posts, p 27 https://www.eca.europa.eu/Lists/ECADocuments/RCR_STAFF/RCR_STAFF_EN.pdf.

promised by the Commission in their written answers in preparation for the hearing with Commissioner Oettinger on 23 January 2018;

274. Notes that the Commission vacated the JMO I building in 2014 due to the presence of asbestos; has learnt that in December 2015 the Commission and the Luxembourg authorities agreed on sharing the costs associated to the early move out of the JMO I; notes however, that the JMO II was originally supposed to become available on 31 December 2014;
275. Would like to know how much the Commission spent on renting auxiliary office space in Luxembourg until December 2017;
276. Has recently learnt that the first construction phase of JMO II is only due to be completed in 2020 and the second phase in 2024; notes that the Commission advances the following explanations for the delays:
- (a) the consortium of architects KSP requested to review certain clauses of the management contract;
 - (b) a tender procedure for the earthmoving works faced administrative problems;
 - (c) significant changes regarding the security measures;
277. Wishes to receive the supporting documents for these explanations;

European Schools

278. Recalls that the Commission paid 61% (EUR 177,8 million) of the schools budget in 2016;
279. Regrets that after more than 15 years¹ there is still not sound financial management system in place for European schools;
280. Points in this context to the Court's report on the annual accounts for the European Schools for the financial year 2016, which revealed the following weaknesses²:
- “27. The Court found significant weaknesses in the application of accruals accounting in the accounts of the Central Office and the Alicante and Karlsruhe Schools, in particular in the calculation and booking of provisions for employee benefits and the recording of payables and receivables. Material errors were corrected during the consolidation procedure. While the internal control systems of the Alicante and Karlsruhe Schools showed limited weaknesses, there are still significant weaknesses in the internal control system of the Central Office. The audit reports of the independent external auditor also revealed significant weaknesses in the recruitment, procurement and payment procedures. The Court is thus unable to confirm that financial management was performed in accordance with the General Framework.”

¹ P8_TA(2017)0143, points 276, 281, 282.

² Report on the annual accounts of the European Schools for the financial year 2016 together with the Schools' replies, November 2017, 11 and 12.

281. Acknowledges that the director general acted therefore only congruously when limiting her assurance declaration: “The Director-General, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reputational reservation concerning the effective management of some of the Commission funds assigned to the European Schools.”¹;
282. Asks the Commission when it expects a sound financial management system for European Schools to be in place;

European Anti-Fraud Office (OLAF)

283. Is astounded that the development of a new case management system, devised in-house, will cost EUR 12,2 million; asks whether OLAF undertook any market research for cheaper solutions before engaging in this expense;

Executive Agencies

284. Calls on the executive agencies concerned:
- (a) to follow up and implement the recommendations of the Internal Audit Service;
 - (b) to avoid carry-overs as far as possible by introducing differentiated budget appropriations to better reflect the multiannual nature of operations;
 - (c) to keep detailed and comprehensive records on public procurement and recruitment procedure.

¹ https://ec.europa.eu/info/sites/info/files/file_import/aar-hr-2016_en_0.pdf , p.10.