



**2017/2136(DEC)**

21.2.2018

# OPINION

of the Committee on Regional Development

for the Committee on Budgetary Control

on discharge in respect of the implementation of the general budget of the  
European Union for the financial year 2016: Section III - Commission and  
executive agencies  
(2017/2136(DEC))

Rapporteur: Iskra Mihaylova

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## SUGGESTIONS

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

1. Notes that as indicated in the Annual Report of the European Court of Auditors (the 'Court'), the estimated level of error in spending on 'Economic, social and territorial cohesion' decreased from 5,2 % in 2015 to 4,8 % in 2016; notes the sustained improvement over the past three years; welcomes the fact that the Court issued a qualified opinion on the regularity of the transactions underlying the 2016 accounts; acknowledges that the error rate for the 2007-2013 programming period remains significantly below the rates reported for the previous period, which proves the overall positive impact of the corrective actions taken; calls on the Commission to keep working with Member States to improve their management and control systems and to continue to use available legal supervisory tools to ensure that all material errors are corrected; takes account of the additional assurance requirements for the 2014-2020 programmes which entail an annual acceptance procedure of certified accounts, with a view to a lasting reduction of the amount of residual errors; underlines that further simplification of rules and reduction of the administrative burden could help decreasing even more the error rate;
2. Notes that, as was the case in previous years, Member States had sufficient information to prevent or to detect and correct a significant number of errors before claiming reimbursement and the estimated error rate could have been reduced below the materiality threshold; takes note of the conclusion drawn by the Court that there is no need for additional controls in EU spending, but that existing controls need to be enforced properly; calls, therefore, on the Member States for a proper enforcement of their management and control systems to detect and correct irregularities based on their own control and audits; emphasizes that for the new 2014-2020 period, the overall corrective capacity is further strengthened by the possibility for the Commission to impose net financial corrections in case of serious deficiencies detected, which will be an important incentive for Member States to detect and correct serious irregularities before certifying annual accounts to the Commission; calls on the Commission to effectively use all tools at its disposal, including technical assistance, to provide support to Member States' authorities;
3. Calls on the Member States, in cooperation with their national, regional and local authorities, to keep up the fight against fraud and to remain ambitious in avoiding irregularities, preventing and detecting fraud and further reducing the error rates; considers that capacity building towards this end should be continued, also in cooperation with relevant stakeholders and the implementation of Integrity Pacts; underlines the need for constant clear communication with the public regarding the difference between fraud and error; reminds that irregularities are not necessarily all fraud and a distinction should be made between fraudulent and non-fraudulent irregularities; it is in part for this reason that the suspension of payments in case of irregularities should only be used as a last resort;
4. Draws attention to the role administrative capacities play in the regular use of the

European Structural and Investment funds (ESI funds) and considers that an exchange of good practices could effectively contribute to enhancing Member States' capacities in this field;

5. Notes that the main sources of error were the inclusion of ineligible costs in beneficiaries' declarations (the inclusion of ineligible costs in expenditure declarations accounts for 42% of the estimated level of error calculated by the Court), as well as infringements of public procurement rules (30% of the estimated level of error); in this context calls on the Commission to take the appropriate preventive and corrective actions; is deeply concerned that, according to the Court's Annual Report, three years after the start of 2014-2020 period, the Member States have designated only 77% of programme authorities and urges the Member States and the Commission to collaborate closely to complete the process; calls on the Commission to perform a review of the State aid legislation and propose modifications that would reduce the administrative burden on national authorities and beneficiaries, and would remove obstacles that put Union companies and organizations at a disadvantage in comparison with their competitors from third countries;
6. Is concerned by the delays in implementing the 2014-2020 ESI funds programmes and the repercussions on the regions to mobilise and utilise EU funds and hence to pursue public investments which are ever more needed in the aftermath of the multiple crises of the past decade; points out that, as of end 2016, the total amount of budgetary commitments allocated to selected projects reached some EUR 186,6 billion, and that only EUR 41,9 billion were paid, thus accumulating more than 77% outstanding unpaid commitments (EUR 144,6 billion), mainly because of those delays in implementation; underlines that this amount is expected to rise until 2020; emphasises that clearing this backlog should be a priority when planning the next Multiannual Financial Framework (MFF); highlights that delays in the implementation should in no way be interpreted as a declining need of EU funding;
7. Reminds that errors in the 'Economic, social and territorial cohesion policy' are mainly due to ineligible beneficiaries, activities, projects or expenditure (cost reimbursement payments); highlights, that 2016 financial year is the last in which all expenditure audited is linked to the 2007-2013 MFF period and in coming years we expect to see an increasing share of 2014-2020 MFF funds;
8. Is deeply concerned that the major delay in implementing the policies of economic, social and territorial cohesion has exacerbated the multiple inequalities both throughout the Union and within Member States and regions, thus jeopardising the integrity of the Union;
9. Takes note of the strategic report 2017 on the implementation of the ESI funds<sup>1</sup>, stressing that the ESI funds' project selection has reached an overall EUR 278 billion, or 44% of the total investment planned for 2014-2020, which have been delivered to Europe's real economy since the beginning of the funding period; considers that the implementation of the 2014-2020 programmes has now reached full speed, proving the added value of cohesion policy investment for all regions in Union but also the need for further efforts in strengthening the administrative capacity of national, regional and

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<sup>1</sup> [http://ec.europa.eu/regional\\_policy/en/policy/how/stages-step-by-step/strategic-report/](http://ec.europa.eu/regional_policy/en/policy/how/stages-step-by-step/strategic-report/).

local authorities;

10. Stresses that the delays in budget implementation as of mid-2017 were greater than at the same point in the 2007-2013 period;
11. Notes that the average disbursement rate for financial instruments was only 75% at the end of 2015; notes however that the disbursement from financial instruments to final recipients reached 93% by 31 March 2017 and that a significant progress in the average disbursement rate was reported by the Commission at closure, which shows the practical usefulness of these instruments; considers however that grants are the main form of cohesion policy support due to the fact that not all investments are bankable or have quantifiable results in the short term; points out that the revision of the Financial Regulation which is due to enter into force in 2018 could significantly contribute to the simplification, improvement and optimisation of their use during current programming period; underlines the need for further improvement with regards to the absorption rate;
12. Welcomes the Court's Special Report 5/2017 and urges the Commission and the Member States to fully implement Court's recommendations in order to increase the coverage and effectiveness of Youth Guarantee schemes;
13. Urges the Commission to take into consideration the Court's recommendations in the 2016 Annual Report with regard the performance reporting framework and to adopt international good practices when reviewing the effectiveness of indicators used under the EU Budget Focused on Results (BFOR) initiative and to improve the current performance measurement system, as well as when reconsidering the delivery mechanism post-2020; highlights, therefore, that Commission should simplify performance measurement; calls on the Commission to further strengthen the programmes' focus on results and to simplify ESI funds implementation.

## INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	20.2.2018
<b>Result of final vote</b>	+: 36 -: 2 0: 0
<b>Members present for the final vote</b>	Mercedes Bresso, Steeve Briois, Andrea Cozzolino, Raymond Finch, John Flack, Iratxe García Pérez, Michela Giuffrida, Krzysztof Hetman, Ivan Jakovič, Constanze Krehl, Sławomir Kłosowski, Louis-Joseph Manscour, Martina Michels, Iskra Mihaylova, Andrey Novakov, Paul Nuttall, Mirosław Piotrowski, Stanislav Polák, Liliana Rodrigues, Fernando Ruas, Monika Smolková, Ruža Tomašić, Ramón Luis Valcárcel Siso, Ángela Vallina, Lambert van Nistelrooij, Kerstin Westphal, Joachim Zeller
<b>Substitutes present for the final vote</b>	Daniel Buda, Andor Deli, Ivana Maletić, Urmas Paet, Tonino Picula, Georgi Pirinski, Bronis Rop, Milan Zver
<b>Substitutes under Rule 200(2) present for the final vote</b>	Eleonora Evi, Anna Hedh, Bogdan Brunon Wenta

## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

36	+
ALDE	Ivan Jakov i , Iskra Mihaylova, Urmas Paet
ECR	John Flack, Sławomir Kłosowski, Mirosław Piotrowski, Ruža Tomašić
EFDD	Eleonora Evi
ENF	Steeve Briois
GUE/NGL	Martina Michels, Ángela Vallina
PPE	Daniel Buda, Andor Deli, Krzysztof Hetman, Ivana Maletić , Lambert van Nistelrooij, Andrey Novakov, Stanislav Pol ák, Fernando Ruas, Ramón Luis Valcárcel Siso, Bogdan Brunon Wenta, Joachim Zeller, Milan Zver
S&D	Mercedes Bresso, Andrea Cozzolino, Iratxe García Pérez, Michela Giuffrida, Anna Hedh, Constanze Krehl, Louis-Joseph Manscour, Tonino Picula, Georgi Pirinski, Liliana Rodrigues, Monika Smolková, Kerstin Westphal
VERTS/ALE	Bronis Rop

2	-
EFDD	Raymond Finch, Paul Nuttall

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention