



2019/2055(DEC)

23.1.2020

OPINION

of the Committee on Employment and Social Affairs

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 2018, Section III - Commission and executive agencies
(2019/2055(DEC))

Rapporteur for opinion: Tomáš Zdechovský

PA_NonLeg

SUGGESTIONS

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

1. Recalls that 2018 was the penultimate year of implementation of the current Multiannual Financial Framework (MFF) and that all the financial programmes are now fully operational;
2. Notes with concern that payment claims for a substantial value have been delayed and will be submitted in future years and that this has affected the use of pre-financing and outstanding commitments, and will affect payment appropriation needs at the start of the next MFF; acknowledges that the European Commission is taking measures to avoid undue pressure on the level of payment appropriations in the first years of the 2021-2027 MFF;
3. Welcomes that in 2018, for the first time, audit authorities reported errors using a common methodology agreed between the Commission and the Member States and that ineligible expenditure and public procurement procedures have been detected as the most common types of irregularities; notes the fact that there has been a sustained improvement in the overall estimated level of error in expenditures made from the Union budget in the past few years (4.4 % in 2014; 3.8 % in 2015; 3.1 % in 2016; 2.4 % in 2017 and 2.6 % in 2018);
4. Welcomes that the European Commission has implemented high proportion of the Court's follow-up recommendations and supports the Court's commitment, in line with its strategy for the period 2018-2020, to carry forward a follow-up on all performance audit recommendations it made to the Commission three years earlier;

COMMENTS ON MFF SUB-HEADING 1B 'ECONOMIC, SOCIAL AND TERRITORIAL COHESION'

General comments

5. Stresses the importance of the Union cohesion policy in supporting the implementation of the European Pillar of Social Rights and in assisting the Member States and regions to harness new opportunities and address challenges, such as globalisation, unemployment, industrial change, digitalisation and reskilling of people;
6. Notes that the European Court of Auditors (ECA) found a significant increase in payment claims for the European Structural and Investment funds (ESI funds) which include the European Social Fund, by the Member States in 2018 mainly because of the relatively low level of payment claims for the ESI funds in the early years of the 2014-2020 programmes; notes at the same time, that for those funds absorption had continued to be slower than planned - a phenomenon that had contributed to increasing ESI funds outstanding commitments; regrets such delays in the implementation of the ESI funds, which will continue to affect the use of pre-financing and outstanding commitments for the final year of the current MFF, as well as payment appropriation needs in the next

MFF; calls on the Commission to analyse the reasons for the low absorption level and take measures, including the simplification of the new rules for the post-2020 period, in order to avoid both undue pressure on the level of appropriations in the first years of the next MFF 2021-2027 and unnecessarily complex and/or burdensome rules that do not add value to the Union policies;

7. Is highly concerned about the increase of the estimated level of error in the policy area 'Economic, social and territorial cohesion' at 5.0 %, which is largely above the 2 % materiality threshold; stresses that the new control and assurance framework was designed to ensure that annual residual error rates are below 2 %;
8. Notes that weaknesses persist with regard to the regularity of the expenditure declared by managing authorities and that, despite recent improvements, shortcomings, undetected or uncorrected errors remain; stresses in this regard that the audit authorities play a crucial role in the framework for assurance and control of cohesion spending;
9. Acknowledges that, in this policy area, Union spending is dominated by cost reimbursements, and thus high-risk expenditures involving more complex rules than in some other policy areas; also notes that a significant source of complexity arises for beneficiaries where national eligibility requirements go beyond what is required by Union legislation; recalls that the ECA found the estimated level of error in high-risk expenditure, to be 4.5 %;
10. Highlights that this results in that relatively high estimated level of error (that increased with 3.0 % compared to the previous year) in this policy area which was the single biggest contributor to the estimated level of error for high-risk expenditure in 2018 (at 43.0 % of all errors);
11. Is also concerned that, according to ECA, DG EMPL, in its estimation of the amount of risk (1.8 % of the 2018 expenditure under DG EMPL's remit, or 247 million EUR), underestimated the level of irregularity for 2018;
12. Agrees with the ECA's conclusions that further improvements are necessary, in particular in terms of the implementation of the framework by managing authorities, audit authorities and the Commission, in order to reduce the high level of error in future;
13. Stresses, this year again, the need to take effective and urgent measures to reduce those sources of error while achieving a high performance and urges the Commission to implement swiftly the ECA's recommendations in this policy area; calls, in particular, on the Commission to better implement appropriate control measures aimed to ensure that no programme can be closed with a material level or irregular expenditure and urges the audit authorities to address the reported weaknesses and to make better use of the Commission's assurance model in the future, and in particular to carry out regular checks at the level of financial intermediaries;
14. Notes that, for the European Social Fund (ESF), the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD), 3 ESF/YEI programmes for UK, Italy and Hungary and 1 FEAD programme for Italy have been interrupted resulting in several payments being interrupted in 2018; notes that 33 warning letters

were sent to the Member States concerned;

15. Acknowledges that the number of warning letters and interruptions significantly increased in 2018 compared to previous year due to the increased number of assurance packages received in February 2018 and the results of the compliance audits performed during the year;

ESF

16. Reminds that the ESF and the Youth Employment Initiative (YEI) aim to encourage a high level of employment, education and training and the creation of more and better jobs, including through the YEI targeting regions with a high youth unemployment rate; highlights that the YEI should, therefore, have the continued financial and political support of the Union, national and regional institutions in the delivery of their targets in the years to come, and welcomes in this respect the Commission's commitment to make YEI a permanent instrument to fight youth unemployment;
17. Recalls that in its Special report No 5/2017('Youth unemployment – have EU policies made a difference?'), the ECA found that, while progress had been made in implementing the Youth Guarantee (YG) in some Member States, and while some results had been achieved, the situation fell short of the initial expectations raised at the launch of the YG; also recalls that, while redirection of the ESF funding has been achieved, following the recommendations made in the ECA Special report No 17/2015 ('Commission's support of youth action teams: redirection of ESF funding achieved, but insufficient focus on results'), more focus on results is needed;
18. Reiterates, therefore, that the financial management procedures, as well as the reporting requirements in the YEI and YG should be improved and better directed towards young people who are furthest away from education, training, and employment;
19. Recalls that there are still 10 recommendations referring to special reports (one from Special report No 16/2016 ('EU education objectives: programmes aligned but shortcomings in performance measurement'), two from Special report No 14/2016 ('EU policy initiatives and financial support for Roma integration: significant progress made over the last decade, but additional efforts needed on the ground') and seven from Special report No 6/2018 ('Free Movement of Workers – the fundamental freedom ensured but better targeting of EU funds would aid worker mobility')) that need to be implemented, most of which were to be implemented by 31 December 2019; in particular, takes note of the Special report No 14/2016 according to which most projects were carried out as planned but 'best practices' criteria contributing to successful Roma inclusion were not always applied and monitoring performance was difficult; recalls that the lack of robust and comprehensive data on Roma is not only a problem in relation to projects but also for policy making at EU and national level; deplores the fact that this situation might remain unchanged unless swift action is taken;

FEAD

20. Believes that Union committed action for the most deprived is of paramount importance having in mind that, on average, more than one out of five persons and one out of four children are still at risk of poverty or social exclusion in the European Union;

21. Recalls the findings of ECA Special report No 05/2019 ('FEAD-Fund for European Aid to the Most Deprived: Valuable support but its contribution to reducing poverty is not yet established'), in particular the ECA conclusion that, in addition to alleviating poverty through food aid (which represents 83 % of FEAD budget), the innovative social policy elements of FEAD offer possibilities to Member States to foster social inclusion;
22. Also recalls that available data presented in the ECA's Special report No 5/2019 show that the Fund has a notable effect in nearly each Member State and that the provision by FEAD of food, material support and social inclusion measures make a difference to the most deprived, including those who may be otherwise left out by mainstream social assistance or who need immediate support; also highlights that, according to food banks, one third of the food they provide is financed by FEAD, and that FEAD allows to be less dependent on the irregular flow of donations and therefore enables to better plan the redistribution of specific foods;
23. Therefore supports the FEAD which aims to alleviate the worst forms of poverty in the Union, such as food deprivation, homelessness, and child poverty;
24. Notes however that, due to limitations in its monitoring and lack of EU-wide data, FEAD's contribution to reducing poverty has not yet been quantitatively demonstrated and recalls that the Commission has to improve the collected data to better illustrate the relative importance of FEAD as a vector of European solidarity and a way of helping to combat social divides in the Union;
25. Notes that the mid-term evaluation report of the FEAD identified several weaknesses in the implementation of the Fund and that the ECA suggested to better target the Fund to the ones most in need; also recalls that the mid-term evaluation report considered that the provision and monitoring of accompanying measures could be further exploited;

Combating potential fraud

26. Highlights the need for more stringent public procurement verification during the entire financing cycle;
27. Recalls that, according to the conclusions of the ECA Special report No 06/2019 ('Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination'), although there have been improvements in the way managing authorities identify fraud risks in Union cohesion funds (including ESF) and design preventive measures, the managing authorities still need to strengthen fraud detection, response and coordination;
28. Acknowledges the efforts made by the European Commission and the Member States in this respect and encourages them to further develop the ARACHNE risk assessment tool with the active participation of the Member States; to that end, calls on the Member States to use the ARACHNE data base to the greatest possible extent in order to prevent fraudulent and irregular use of EU funds;

COMMENTS ON MFF SUB-HEADING 1A 'COMPETITIVENESS FOR GROWTH AND JOBS'

General comments

29. Recalls that most spending under the MFF sub-heading 1A is directly managed by the Commission and takes the form of grants to public or private beneficiaries participating in projects;
30. Notes with satisfaction that the estimated error level in the area of ‘Competitiveness for growth and jobs’ is 2.0 % - which represents a substantial decrease compared to 2017 (4.2 %) and 2016 (4.1 %) and notes that most of the errors were related to the research spending while errors on other spending are limited; acknowledges the Commission’s efforts to improve the level of error, which is lower than in the last two years and reiterates the importance of the spending programmes in the competitiveness’ chapter, which play an important role in fostering an inclusive society, stimulating growth and creating employment in the EU;

EaSI

31. Notes that, according to the Commission, the EaSI mid-term evaluation showed that its objectives are still relevant and that the programme is effective in reaching the relevant stakeholders, generating good-quality outcomes and achieving its objectives in particular in light of the current challenging socio-economic context characterised by the aftermath of the financial and economic crisis; also notes that, even though the three axes (Progress, EURES and Microfinance and Social Entrepreneurship) seem to operate independently, some areas which could result in increased effectiveness (‘synergies’) have been identified;
32. Notes that the EaSI mid-term evaluation highlighted a number of ways to improve the implementation of the programme, especially through the simplification of procedures, improved internal consistence, enhanced flexibility, targeting groups in need of specific support and linkages with other funds, and encourages the Commission to act in this respect; urges in particular that under the EaSI strand, the ESF+ should include a series of improvements in this direction;

Agencies

33. Welcomes that the Commission completed in 2018 the first cross-cutting evaluation of the European Commission Agencies working in the employment and social affairs policy field (Eurofound, Cedefop, ETF and EU-OSHA) to complement the founding regulation revision of the three tripartite agencies; notes with satisfaction that the assessment confirms a very positive evaluation report on the relevance, effectiveness, efficiency, coherence and added value of the agencies, as well as the need to reinforce cooperation in order to exploit synergies; furthermore, highlights that transparency and citizens' awareness of the existence of the agencies are essential for their democratic accountability; considers that usability and ease of use of agency resources and data are of paramount importance; calls therefore for an assessment of how data and resources are currently presented and made available and of the degree to which citizens find them easy to identify, recognise and use;
34. Welcomes the creation of the European Labour Authority (ELA) and highlights the need to ensure that sufficient financial resources are set aside for its establishment;

insists that funding cannot be accomplished by redeploying allocations from the other employment and social affairs agencies and budgetary lines and should not result in a reduction of resources and capabilities for EURES; highlights therefore the need to maintain clear and separate budget lines for both ELA and EURES;

CONCLUSION

35. Welcomes that the Commission has launched four thematic evaluations in 2018 (on support to youth employment, on ESF support to employment and mobility, on ESF support to education and training and on ESF support to social inclusion);
36. Acknowledges that the ECA recommendation – following which the Commission should, across all its activities, use the terms input, output, result and impact consistently and in line with its better regulation guidelines – has been only implemented in some respects and urges the Commission to strive for full implementation of this recommendation;
37. More generally, asks the Commission to implement as soon as possible all outstanding ECA recommendations and, on a longer-term perspective, to take the ECA's recommendations into account when implementing actions under the new ESF+ as of 2021.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	22.1.2020
Result of final vote	+: 46 -: 4 0: 1
Members present for the final vote	Marc Angel, Gabriele Bischoff, Vilija Blinkevičiūtė, Milan Brglez, Jane Brophy, Sylvie Brunet, David Casa, Leila Chaibi, Özlem Demirel, Jarosław Duda, Estrella Durá Ferrandis, Lucia Ľuráš Nicholsonová, Loucas Fourlas, Cindy Franssen, Helmut Geuking, Elisabetta Gualmini, Alicia Homs Ginel, Agnes Jongerius, Ádám Kósa, Stelios Kypourouopoulos, Katrin Langensiepen, Elena Lizzi, Radka Maxová, Lefteris Nikolaou-Alavanos, Matthew Patten, Kira Marie Peter-Hansen, Alexandra Louise Rosenfield Phillips, Drago Pîslaru, Manuel Pizarro, Miroslav Radačovský, Dennis Radtke, Elbieta Rafalska, Guido Reil, Daniela Rondinelli, Monica Semedo, Eugen Tomac, Romana Tomc, Yana Toom, Nikolaj Villumsen, Marianne Vind, Maria Walsh, Stefania Zambelli, Tatjana Ždanoka, Tomáš Zdechovský
Substitutes present for the final vote	Alex Agius Saliba, Marc Botenga, Antonius Manders, Bill Newton Dunn, Sara Skytvedal, Marie-Pierre Vedrenne, Anna Zalewska

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

46	+
ECR	Lucia Ľuríš Nicholsonová, Helmut Geuking, El bieta Rafalska, Anna Zalewska
GUE/NGL	Marc Botenga, Leila Chaibi, Özlem Demirel, Nikolaj Villumsen
NI	Miroslav Rada ovský, Daniela Rondinelli
PPE	David Casa, Jarosław Duda, Loucas Fourlas, Cindy Franssen, Ąđám Kósa, Stelios Kypourouopoulos, Antonius Manders, Dennis Radtke, Sara Skyttedal, Eugen Tomac, Romana Tomc, Maria Walsh, Tomáš Zdechovský
RENEW	Jane Brophy, Sylvie Brunet, Radka Maxová, Bill Newton Dunn, Drago Ľislaru, Monica Semedo, Yana Toom, Marie-Pierre Vedrenne
S&D	Alex Agius Saliba, Marc Angel, Gabriele Bischoff, Vilija Blinkevi i t , Milan Brglez, Estrella Durá Ferrandis, Elisabetta Gualmini, Alicia Homs Ginel, Agnes Jongerius, Manuel Pizarro, Marianne Vind
VERTS/ALE	Katrin Langensiepen, Kira Marie Peter-Hansen, Alexandra Louise Rosenfield Phillips, Tatjana Źdanoka

4	-
ID	Elena Lizzi, Guido Reil, Stefania Zambelli
NI	Lefteris Nikolaou-Alavanos

1	0
NI	Matthew Patten

Key to symbols:

+ : in favour

- : against

0 : abstention