



2019/2055(DEC)

22.1.2020

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

Rapporteur for opinion: Josianne Cutajar

PA_NonLeg

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 (ECA) for the financial year 2018, the estimated level of error in spending on 'Economic, social and territorial cohesion' increased from 3 % in 2017 to 5 % in 2018; regrets that, even if the amount audited in 2018 in this field (EUR 23,8 billion) was significantly higher than that of 2017 (EUR 8,0 billion), the positive trend of the last years has been reversed; warns of a greater risk of error at the end of the current Multiannual Financial Framework (MFF) owing to pressure for swift take-up in the face of a potential loss of Union funding;
2. Underlines that irregularities in the implementation of the budget of the European Union do not automatically imply a fraud and that a thorough analysis of the audit results is required before applying financial corrections against beneficiaries; calls on the Commission to implement its Anti-Fraud Strategy and to continue supporting and assisting Member States in the implementation of anti-fraud measures, including the analysis of irregularities reported by Member States under the European Structural and Investment Funds (ESI Funds);
3. Takes note that the source of those irregularities regarding both grants and - less closely audited - financial instruments is mainly a result of reimbursements of ineligible projects, beneficiaries, activities and costs (44 %), as well as infringements of internal market and State aid rules (40 %) and lack of support documentation (11 %), but is also due to the previous year's overall low rates of reimbursement and payments and to fewer financial instruments having been included in the audit; emphasises that the contribution to the ECA estimated level of error for high-risk expenditure of errors relating to public procurement, State aid rules and grant award increased in 2018; points out, as indicated in the annual report of the ECA for 2018, that VAT reimbursement is prone to errors and does not always result in to optimal use of Union funds, that can be reached through a further simplification of rules; notes that some Member States do not comply with the obligation to pay beneficiaries the full public contribution no later than 90 days after the payment request;
4. Draws attention to the fact that high-risk expenditures are often subject to complex rules and eligibility conditions; regrets the difficulties encountered by certain Member States and regions regarding deployment of the funds; agrees with the ECA that simpler national eligibility rules might help reduce this source of error and the administrative burden for beneficiaries; recalls that, while ensuring high levels of transparency, the simplification of rules can greatly contribute to the more effective use of funds; calls for a more effective involvement of local and regional authorities in setting-up specific national rules to implement Cohesion Funds; calls on the ECA and the national audit authorities to propose recommendations on the simplification of rules and to perform simplification audits;
5. Underlines the key role that national audit authorities, along with the European Court of

Auditors, have in monitoring the use of ESI Funds; calls for an improvement of the audit working methods put in place at the national level; encourages the Commission to reduce the diverging interpretation of applicable national or Union rules when it comes to disagreement with the assessments made by the Court of Auditors' Annual Report on the nature of the occurred errors in order to avoid such situations in the future and different interpretations of applicable rules;

6. Stresses that the absorption rate of ESI Funds has continued to be lower than planned and by the end of 2018 amounted to only 27,3 % which is even lower than the absorption rate of 33,4 %, by the end of 2011, i.e. the corresponding year of the previous MFF; warns that this situation might lead to a rushed spending by the end of the programming period, risking to jeopardise the achievement of the cohesion policy goals;
7. Calls on the Commission to present a detailed analysis of the reasons for the low funding take-up rates in certain regions and assess specific ways of remedying the structural problems underlying those imbalances and to step up on-the-spot technical assistance; highlights that flexibility and simpler rules can improve the efficiency and effectiveness of ESI Funds;
8. Recalls that the reasons behind the low absorption rate not only lie in the decommitment methodology (the so-called “n+3 rule”), but also in the late adoption of the legislative framework enabling the implementation of the cohesion policy; underlines the importance of achieving a rapid political agreement between the institutions on the next MFF 2021 -2027 and on the cohesion policy regulations to avoid the repetition of delayed implementation of ESI Funds in the future, including the backlog in the future payment applications; calls on the Commission and the Council to establish an action plan in the first half of 2020 to speed-up the implementation of ESI Funds in the current programming period, with clear incentives for the effective absorption of available funds, strengthening the strategic objectives of the Union, in particular economic, social and territorial cohesion and, in accordance with the objectives of the Paris Agreement, the fight against climate change,;
9. Reiterates the importance of reliable performance measurement systems built on high-quality data in order to enhance the decision-making process, calls on the Commission to further develop and align audit methodologies in order to harmonise different performance measurement systems of Member States' authorities; calls for the implementation of a wider set of indicators able to capture the partnership principle on which the cohesion policy spending is based as well as its relevant horizontal dimensions, such as financial performance, gender equality, non-discrimination, sustainable development while avoiding any additional administrative burden; points out that the collection of data should be promptly adapted to any change of the administrative systems (such as the NUTS classification);
10. Considers that the Union has increasingly made use of financial instruments and budgetary guarantees provided to the European Investment Bank Group (“EIB”), which has helped to attract additional funding to fill in the investment gap at national, regional and local level; consequently reiterates the support for ECA performance audits related to financial instruments and EIB.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	21.1.2020
Result of final vote	+: 32 -: 4 0: 0
Members present for the final vote	Mathilde Androuët, Pascal Arimont, Adrian-Drago Benea, Isabel Benjumea Benjumea, Stéphane Bijoux, Franc Bogovič, Andrea Cozzolino, Corina Crețu, Rosa D'Amato, Tamás Deutsch, Francesca Donato, Jill Evans, Raffaele Fitto, Cristian Ghinea, Mircea-Gheorghe Hava, Krzysztof Hetman, Manolis Kefalogiannis, Constanze Krehl, Elbieta Kruk, Cristina Maestre Martín De Almagro, Pedro Marques, Martina Michels, Andrius Anna Moedas, Anna Nowak, Andrey Novakov, Younous Omarjee, Alessandro Panza, Tsvetelina Penkova, Caroline Roose, André Rougé, Susana Solís Pérez
Substitutes present for the final vote	François Alfonsi, Daniel Buda, Josianne Cutajar, Bronis Rop, Tomislav Sokol
Substitutes under Rule 209(7) present for the final vote	John Howarth

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

32	+
ECR	Raffaele Fitto, El bieta Kruk, And elika Anna Mo d anowska
GUE/NGL	Martina Michels, Younous Omarjee
NI	Rosa D'Amato
PPE	Pascal Arimont, Isabel Benjumea Benjumea, Franc Bogovi , Daniel Buda, Tamás Deutsch, Mircea-Gheorghe Hava, Krzysztof Hetman, Manolis Kefalogiannis, Andrey Novakov, Tomislav Sokol
RENEW	Stéphane Bijoux, Cristian Ghinea, Susana Solís Pérez
S&D	Adrian-Drago Benea, Andrea Cozzolino, Corina Crețu, Josianne Cutajar, John Howarth, Constanze Krehl, Cristina Maestre Martín De Almagro, Pedro Marques, Tsvetelina Penkova
VERTS/ALE	François Alfonsi, Jill Evans, Caroline Roose, Bronis Rop

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ID	Mathilde Androuët, Francesca Donato, Alessandro Panza, André Rougé

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention