

Annual Management and Performance Report for the EU Budget

FINANCIAL YEAR 2019

June 2020

In June 2020, the European Commission adopted the Annual Management and Performance Report for the EU Budget, for the financial year 2019. It presents the latest information on results achieved with the EU budget, and on how the EU budget is managed and protected.



“The Commission attaches great importance to ensuring that the EU’s budget is spent responsibly and delivers tangible results on the ground. For our path to recovery and resilience, it will be crucial that additional funds reach businesses and citizens as soon as possible and help repair the immediate economic and social damage brought by the coronavirus pandemic. The Commission is committed to make sure that the necessary measures are taken to strike a right balance between the required flexibility to quickly make funds available to Member States and other beneficiaries, and the need to respect the principle of sound financial management.”

Johannes Hahn, the Commissioner for Budget and Administration

Performance and results

EU BUDGET RESULTS IN 2019

2019 was the penultimate year of implementation of the financial programmes under the 2014-2020 multiannual financial framework. These programmes are all operating at cruising speed and progress is accelerating. Most programmes are progressing well towards the targets set at the beginning of the programming period.

The EU budget invested in climate and Natural Resources contributes to the European Green Deal

- In 2019, the EU budget contributed some EUR 35 billion or 21.2% to climate objectives.
- Spending on natural resources on land and in water safeguards the environment and helps tackle the climate emergency. At present, over 85% of the rural development targets for climate actions in the agricultural sector have already been reached in the management of biodiversity, soil and water.
- The LIFE programme finances projects through which 1.5 million people benefit from improved air quality and 42% of targeted species are progressing towards conservation status.

The EU budget contributes to strengthening the economy of the European Union and making it more resilient.

- The COSME programme supported more than 500 000 small and medium-sized enterprises by end 2019.
- The European Fund for Strategic Investments has mobilised over EUR 458 billion in new investments in the fields of transport, digital, energy, health care, research and innovation throughout the EU. This supported over 8.5 million jobs.
- The European Regional Development Fund has supported investment in over 400 000 small and medium-sized enterprises, helping to create an additional 109 000 jobs and has made an important contribution to economic growth.

The EU budget responds to migration challenges and invests in more efficient asylum systems, return procedures and integration measures, and better management of external borders.

- With the help of the Asylum, Migration and Integration Fund, since 2015 over 2 million people received asylum or accommodation support, 30 000 accommodation places have been funded, nearly 6 million people received integration assistance and more than 62 000 people in need of international protection have been offered safe and legal pathways to the EU via resettlement schemes.

The EU budget supports the digital transition by investing in key digital infrastructure, research and services.

- The Galileo programme, with 26 satellites in orbit, helps improving the accuracy and reliability of location services in the smartphones of more than 1 billion users worldwide. In addition, the European Geostationary Navigation Overlay Service is playing a key role in safety critical services such as aviation safety.
- The eHealth Digital Service Infrastructure facilitates continuity of care and patient safety for citizens seeking cross-border healthcare.

The EU budget supports EU citizenship, values and cross-border mobility.

- Erasmus supported 900 000 people in 2019, and the Marie Skłodowska-Curie actions continued investing in European researchers to enable them to work and collaborate in other countries.

The EU, together with its Member States, is fully committed to being at the forefront of implementing the 2030 agenda for sustainable development.

- 45 out of 60 financial programmes contribute towards the Sustainable Development Goals.

ONGOING CORONAVIRUS CRISIS RESPONSE

The EU budget can be mobilised quickly and flexibly as part of a coordinated European response to crises. This has been illustrated vividly by the ongoing response to the COVID-19 pandemic.

Instruments	Amount	Purpose
Coronavirus Response Investment Initiative (CRII)	Up to EUR 54 billion from the European Structural and Investment Funds	To address immediate crisis needs in Member States.
EU Solidarity Fund (extended as of 1 April 2020)	Up to EUR 800 million	Finance assistance to the population (medical, health-sector and civil-protection-type measures) of the Member states and candidate countries most seriously affected by the COVID-19.
Emergency Support Instrument	EUR 2.7 billion	Reactivated to help Member States rapidly procure and distribute the supplies needed to fight the coronavirus creating a rescEU stockpile of medical equipment, including ventilators and masks.
Horizon 2020 - Special fund for emergency research	136 research teams will work in 17 projects with an overall budget of EUR 47.5 million	Accelerate the development of vaccines, alternative diagnostic tests, new treatments and improving public health measures.

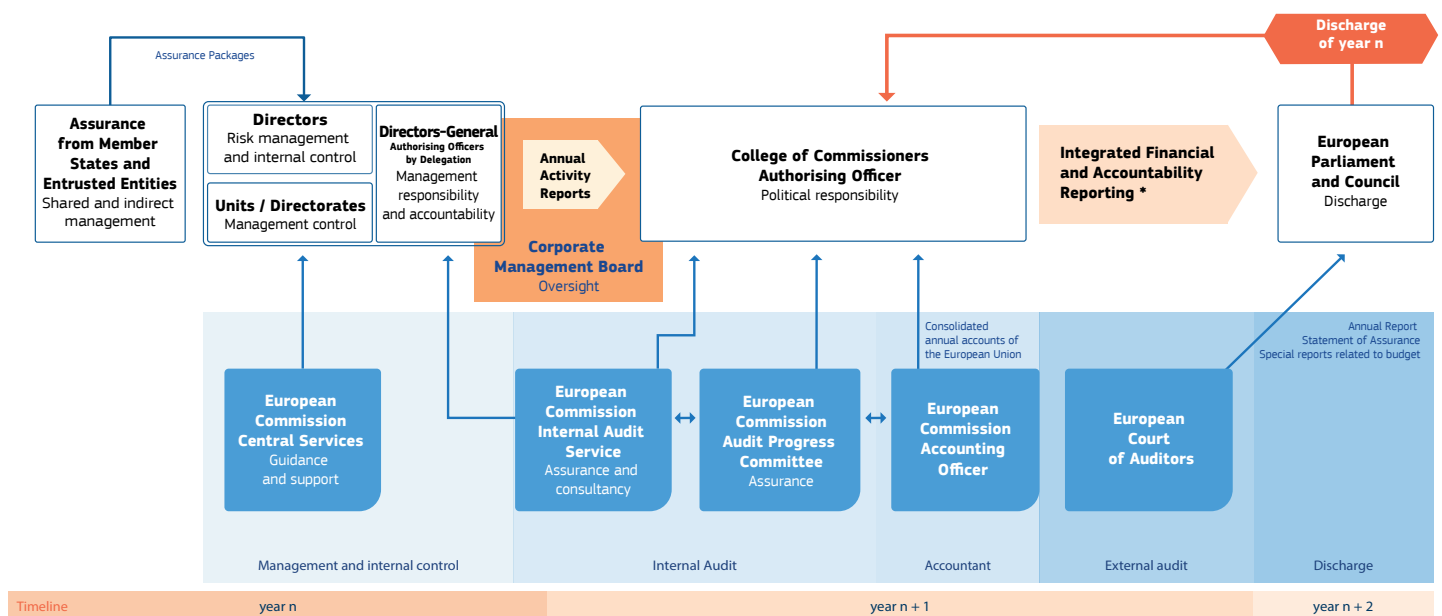
Internal control and financial management

THE EUROPEAN COMMISSION GIVES THE HIGHEST PRIORITY TO THE SOUND FINANCIAL MANAGEMENT OF THE EU BUDGET AND ITS PROTECTION AGAINST ERRORS AND FRAUD.

It is the Commission's duty to make the best use of taxpayers' money to support the achievement of the EU's policy objectives:

- The European Commission has a robust assurance and accountability model.
- It applies a strong internal control framework based on the highest international standards and a cost-effective control system, finding the right balance between a low level of errors (effectiveness), fast payments (efficiency) and reasonable costs (economy).
- The Commission puts in place multiannual control strategies designed to prevent errors and, if it is not possible to prevent errors, to detect and correct them.

Commission's assurance building and accountability for the EU budget: clear roles and responsibilities



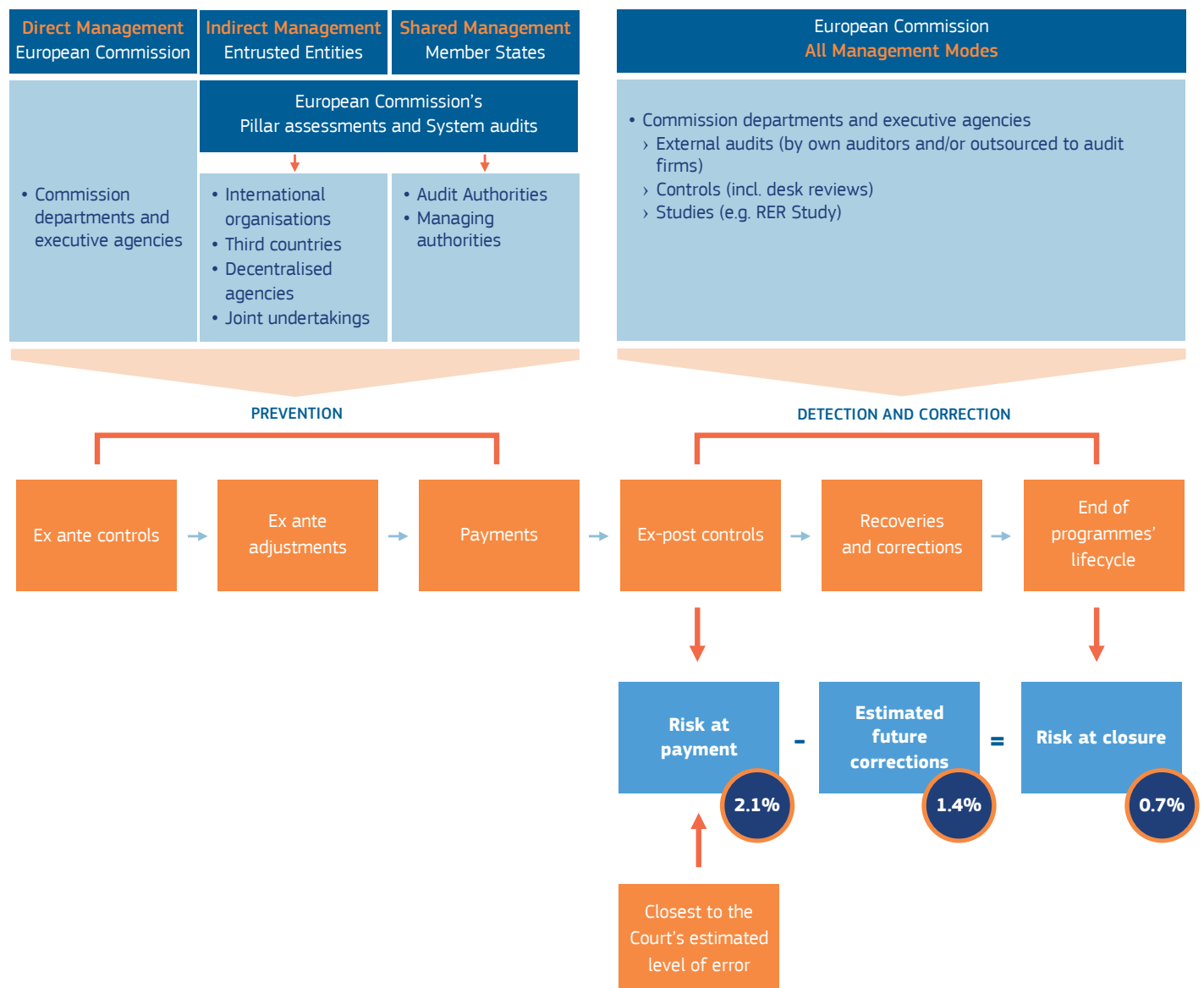
- *Integrated Financial and Accountability Reporting:
- Consolidated annual accounts of the European Union
 - Annual management and performance report
 - Long-term forecast of future inflows and outflows
 - Annual internal audit report
 - Report on the follow-up to the discharge

Source: European Commission

By adopting the Annual Management and Performance Report, the College of Commissioners takes political responsibility for the management of the EU budget. The declarations of assurance signed by the Authorising Officers by Delegation are a key source for this.

THE RISK TO THE LEGALITY AND REGULARITY OF FINANCIAL TRANSACTIONS IS BELOW 2%.

- Overall, the **'risk at payment'** is estimated to be **2.1%** of the 2019 relevant expenditure.
- The multiannual nature of the EU's financial programmes makes it possible to correct errors even years after the payments were made, until the closure of the programmes. The Commission has estimated the **overall future corrections** to be **1.4%** of 2019 relevant expenditure.
- During 2019, the **Commission effectively clawed back EUR 2.9 billion**.
- The Commission's aim in managing the EU budget is to ensure that, once a programme is closed and all verifications have been carried out, the remaining 'risk at closure' is very low. Overall, the Commission estimates this to be only **0.7%** of 2019 total relevant expenditure.



Source: European Commission

The European Commission has a firm and long-standing line of **zero tolerance to fraud**. Fraud represents a very limited part of illegal or irregular spending, most of which relates to errors.

THE COMMISSION AND THE COURT OF AUDITORS: DIFFERENT ROLES REQUIRE DISTINCT CONTROL APPROACHES

The Commission and the Court of Auditors play different roles in the control chain of the EU budget and therefore their control approaches differ considerably. While the **Commission** takes into account the **multiannual** character of the control systems, the **Court of Auditors** provides an **annual audit** opinion on the legality and regularity of EU spending as a whole. These approaches can lead to differences between the error rates reported by the Court of Auditors and by the Commission.

	European Commission management perspective	European Court of Auditors audit perspective
Roles	<ul style="list-style-type: none">• Provide annual management assurance• Identify weaknesses and take action on a multiannual basis• Protect the EU budget	<ul style="list-style-type: none">• Provide an audit opinion on the legality and regularity of financial transactions of a specific year
Level of granularity	<ul style="list-style-type: none">• Error rate for the EU budget as a whole and individual error rates for each department and policy area under Headings (1 to 5), plus for revenue• Error rates calculated per policy area, programme and/or relevant (sub)segments• Expenditure and revenue of the year (or 2 years for research) with a multiannual perspective	<ul style="list-style-type: none">• Error rate for EU budget as a whole and individual error rates for Headings 1a, 1b, 2 and 5, plus for revenue• Expenditure and revenues of the year
Multiannuality	<ul style="list-style-type: none">• Two error rates (risk at payment and risk at closure; multiannuality prospectively taken into account for the risk at closure through estimated future corrections for all programmes)	<ul style="list-style-type: none">• One error rate (most likely error)• Multiannuality retroactively taken into account, only through financial corrections implemented for closed programmes
Materiality threshold	<ul style="list-style-type: none">• 2%• Except for revenue (1%) and for Horizon 2020 (between 2% and 5%)	<ul style="list-style-type: none">• 2%
More information	<ul style="list-style-type: none">• Annex 3 to Annual Management and Performance Report	<ul style="list-style-type: none">• Annex 1.1 to the Court of Auditors' annual report

ONGOING CORONAVIRUS CRISIS RESPONSE

The Commission has taken a range of measures to respond to the crisis caused by the COVID-19 outbreak:

- adjustments to the control procedures
- more flexibility in the management of funds (e.g. the European Structural and Investment Funds) to allow funds to be promptly deployed where and when they are most needed.

The Commission is currently identifying the new risks and challenges related to the crisis and the measures taken. It is assessing their impact and establishing measures to strike a balance between the required flexibility to make funds available to Member States and other beneficiaries to fight the crisis, and the need to respect the principle of sound financial management.