



Plenary sitting

A8-0103/2017

29.3.2017

REPORT

on discharge in respect of the implementation of the budget of the Bio-based Industries Joint Undertaking for the financial year 2015
(2016/2197(DEC))

Committee on Budgetary Control

Rapporteur: Miroslav Poche

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Bio-based Industries Joint Undertaking for the financial year 2015 (2016/2197(DEC))

The European Parliament,

- having regard to the final annual accounts of the Bio-based Industries Joint Undertaking for the financial year 2015,
 - having regard to the Court of Auditors' report on the annual accounts of the Bio-based Industries Joint Undertaking for the financial year 2015, together with the Joint Undertaking's reply¹,
 - having regard to the statement of assurance² 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 2015, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
 - having regard to the Council's recommendation of 21 February 2017 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2015 (05875/2017 – C8 0088/2017),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - 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 1605/2002³, and in particular Article 209 thereof,
 - having regard to Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking⁴, and in particular Article 12 thereof,
 - having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁵,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0103/2017),
1. Grants the Executive Director of the Bio-based Industries Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year

¹ OJ C 473, 16.12.2016, p. 7.

² OJ C 473, 16.12.2016, p. 8.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 169, 7.6.2014, p. 130.

⁵ OJ L 38, 7.2.2014, p. 2.

2015;

2. Sets out its observations in the resolution below;
3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Executive Director of the Bio-based Industries Joint Undertaking, 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).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the Bio-based Industries Joint Undertaking for the financial year 2015 (2016/2197(DEC))

The European Parliament,

- having regard to the final annual accounts of the Bio-based Industries Joint Undertaking for the financial year 2015,
 - having regard to the Court of Auditors' report on the annual accounts of the Bio-based Industries Joint Undertaking for the financial year 2015, together with the Joint Undertaking's reply¹,
 - having regard to the statement of assurance² 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 2015, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
 - having regard to the Council's recommendation of 21 February 2017 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2015 (05875/2017 – C8 0088/2017),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - 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 1605/2002³, and in particular Article 209 thereof,
 - having regard to Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking⁴, and in particular Article 12 thereof,
 - having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁵,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0103/2017),
1. Approves the closure of the accounts of the Bio-based Industries Joint Undertaking for the

¹ OJ C 473, 16.12.2016, p. 7.

² OJ C 473, 16.12.2016, p. 8.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 169, 7.6.2014, p. 130.

⁵ OJ L 38, 7.2.2014, p. 2.

financial year 2015;

2. Instructs its President to forward this decision to the Executive Director of the Bio-based Industries Joint Undertaking, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Bio-based Industries Joint Undertaking for the financial year 2015
(2016/2197(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the Bio-based Industries Joint Undertaking for the financial year 2015,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0103/2017),
- A. whereas the Bio-based Industries Joint Undertaking (the “Joint Undertaking”) was established as a public-private partnership by Council Regulation (EU) 560/2014 for a period of 10 years with the aim of bringing together all relevant stakeholders and contributing to establishing the Union as a key player in research, demonstration and deployment activities relating to advanced bio-based products and biofuels;
- B. whereas pursuant to Articles 38 and 43 of the Joint Undertaking’s financial rules, adopted by the decision of its Governing Board on 14 October 2014, the Joint Undertaking is required to prepare and adopt its own annual accounts prepared by its Accounting Officer who was appointed by its Governing Board;
- C. whereas the founding members of the Joint Undertaking are the Union, represented by the Commission, and partners from the industry, represented by the Bio-based Industries Consortium (the “BIC”);
- D. whereas the maximum Union contribution to the Joint Undertaking, for research activities and administrative costs, is EUR 975 000 000, to be paid from the budget of Horizon 2020 and other members of the Joint Undertaking are to contribute resources amounting to at least EUR 2 730 000 000 over the Joint Undertaking’s period of activity, including cash contributions of at least EUR 182 500 000, in-kind contributions to additional activities of at least EUR 1 755 000 000 and in-kind contributions to the Joint Undertaking’s activities;

General

1. Notes that 2015 was an important year for the Joint Undertaking as it reached operational capacity and financial autonomy on 26 October 2015 and that before 2015 the Commission was responsible for operations and designated an interim executive director from 23 July 2014 until 30 September 2015, when the programme office’s permanent executive director took office; notes with satisfaction that the first months of the Joint Undertaking’s autonomous existence did not entail any issues of a systemic nature;
2. Notes that the Joint Undertaking moved to its new premises in Brussels in April 2015; welcomes the fact that the first projects funded by the Joint Undertaking leveraged a total contribution of EUR 71 000 000 from private partners;

Budget and financial management

3. Notes that the report of the Court of Auditors (the “Court”) on the annual accounts of the Joint Undertaking for the financial year 2015 (the “Court’s report”) finds the 2015 Joint Undertaking’s annual accounts to present fairly, in all material respects, its financial position on 31 December 2015 and the results of its operations and cash flows for the year then ended, in accordance with the Joint Undertaking’s financial rules;
4. Notes that the Joint Undertaking’s annual accounts provide for the final 2015 budget available for implementation included commitment appropriations of EUR 209 422 797 and payment appropriations of EUR 21 075 192, the utilisation rates for commitment and payment appropriations of which were 87 % and 89 % respectively;
5. Observes that the total operational commitments in 2015 (namely, EUR 180 390 497) were made at a global level and related to two 2015 calls for proposals, for which the award procedures were ongoing on 31 December 2015;
6. Notes that in 2015 the Commission contribution to two calls for proposals that were published in May and August 2015 amounted to EUR 206 390 497, of which the first call, published with a budget of EUR 100 000 000, was a flagship call, three projects were selected, with a total requested funding of EUR 73 741 237, while the budget of the second call was EUR 106 000 000, and its evaluation took place in 2016;
7. Notes that in the two months following the Joint Undertaking’s financial autonomy, it dealt successfully with the ongoing projects of the 2014 call and the evaluations as well as the preparation of the grant agreement of the first call in 2015, processed 25 commitments, 100 payments, 5 recovery orders, and all of the year-end cut-off transactions, namely, decommitments, accruals and refund anticipation loan calculations;
8. Notes that in 2015 the Joint Undertaking published two calls, but only Call 2015.1, covering flagship innovation actions, was evaluated between September and October 2015; calls on the Joint Undertaking to report to the discharge authority on the results of Call 2015.2, covering research and innovation actions and demonstration innovation actions;
9. Acknowledges the fact that 10 grant agreements were signed for a total value of EUR 49 653 711 and three proposals were retained for funding in December 2015 for a total value of EUR 73 741 237;
10. Notes that no in-kind contributions (IKOP) were reported by members other than the Union to the Joint Undertaking by 31 December 2015; notes that the Joint Undertaking entered into its accounts estimated IKOPs of EUR 3 503 128, based on the grant agreements signed in July 2015, a practice also acknowledged by the Court’s report;
11. Points out that private sector members face difficulties in presenting their IKOP figures by the deadline of 31 January, and is *very* concerned that this risks becoming a recurring issue for most joint undertakings; notes in this respect that the regular reporting period for IKOPs is 18 months and that this double-reporting goes against the general trend towards simplification;

12. Recalls that the Court's report recommended that the Commission should present clear guidelines for the Joint Undertaking's budgetary reporting and financial management and notes that those guidelines were issued on 20 December 2016 following that recommendation;

Procurement and recruitment procedures

13. Expresses concern that the 2015 administrative budget was prepared on the assumption that all 22 members of staff of the Joint Undertaking would be recruited and operational by the end of that year; notes that only 13 posts were occupied by that date, with a consequential impact on staff-related costs; notes, however, that the unused budget appropriations were reactivated in the 2016 budget; welcomes the fact that the Joint Undertaking proceeded with recruitment procedures in 2016 and has filled 20 out of 22 available posts;

Internal control

14. Notes that the Joint Undertaking's governing board adopted internal control standards (ICSs) on the basis of the 16 equivalent standards laid down by the Commission for its own departments and having due regard to the risks associated with the Joint Undertaking's management environment; welcomes the fact that the Joint Undertaking's interim executive director put in place internal management and control systems and procedures that ensure the implementation of the internal control framework;
15. Acknowledges the fact that the Joint Undertaking adopted a manual of financial procedures to be used by its staff in order to describe the financial circuits for the implementation of its budget which covers all financial operations taking into account its 'lean' structure and any risks associated with the management environment and the nature of the financing operations;
16. Notes the fact that the Joint Undertaking implemented *ex-ante* controls on operational expenditure which were included in its financial rules and in the manual of financial procedures; points out that in 2015 *ex-ante* controls on operational expenditure dealt with the pre-financing of projects from the 2014 call;
17. Notes that the Joint Undertaking has established internal control procedures in order to provide for a reasonable assurance that fraud and irregularities are detected and prevented;
18. Notes that the Court's report refers to the fact that the Joint Undertaking set up *ex-ante* control procedures based on financial and operational desk reviews, and is developing a programme of *ex-post* audits of grant beneficiaries to be implemented from 2017 onwards; observes that those checks are key tools for assessing the legality and regularity of the underlying transactions, including the cash and IKOP to the Joint Undertaking by its members other than the Union;

Legal framework

19. Notes that on 23 December 2015 an amendment to the Joint Undertaking's financial rules was adopted based on a proposal made by DG BUDG to clarify that the Court would base its work on the report made by a private audit company, although continuing to audit Joint

Undertaking on an annual basis;

Prevention and management of conflicts of interests and transparency

20. Observes that the Joint Undertaking adopted the rules for prevention and management of conflicts of interests in respect of its members thus specific measures were in place for the selection and engagement of experts in charge of the evaluation of grant applications, projects and tenders and for providing opinions and advice in specific cases;
21. Notes that the Court's report refers to the fact that the Commission adopted an anti-fraud strategy in June 2011 which was updated in March 2015 to take account of changes introduced by Horizon 2020; invites the Joint Undertaking to incorporate into its annual activity report a section on its anti-fraud strategy;
22. Notes that the Court's report refers to the fact that the Commission issued guidelines to the Joint Undertakings relating to rules on conflicts of interests, including a common template for the declaration of absence of a conflict of interest, which the Joint Undertaking was to incorporate into its procedures; invites the Joint Undertaking to report to the discharge authority on the completion of such declarations;

Other

23. Calls on the Commission to ensure the direct involvement of the Joint Undertaking in the process of the Horizon 2020 mid-term review in the sphere of further simplifications and harmonisation of joint undertakings.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	23.3.2017
Result of final vote	+: 16 -: 6 0: 0
Members present for the final vote	Inés Ayala Sender, Dennis de Jong, Tamás Deutsch, Ingeborg Gräßle, Bogusław Liberadzki, Notis Marias, José Ignacio Salafranca Sánchez-Neyra, Claudia Schmidt, Bart Staes, Hannu Takkula, Indrek Tarand, Derek Vaughan, Tomáš Zdechovský, Joachim Zeller
Substitutes present for the final vote	Karin Kadenbach, Younous Omarjee, Julia Pitera, Miroslav Poche
Substitutes under Rule 200(2) present for the final vote	Ignazio Corrao, Raymond Finch, Ildikó Gáll-Pelcz, Lieve Wierinck

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

16	+
ALDE	Hannu Takkula, Lieve Wierinck
EFDD	Ignazio Corrao
PPE	Tamás Deutsch, Ingeborg Gräßle, Ildikó Gáll-Pelcz, Julia Pitera, José Ignacio Salafranca Sánchez-Neyra, Claudia Schmidt, Tomáš Zdechovský, Joachim Zeller
S&D	Inés Ayala Sender, Karin Kadenbach, Bogusław Liberadzki, Miroslav Poche, Derek Vaughan

6	-
ECR	Notis Marias
EFDD	Raymond Finch
GUE/NGL	Younous Omarjee, Dennis de Jong
VERTS/ALE	Bart Staes, Indrek Tarand

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention