



2020/2140(DEC)

25.2.2021

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 2019 - European Commission (2020/2140(DEC))

Rapporteur for opinion: Isabel Benjumea Benjumea

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 according to the European Court of Auditors (ECA) annual report concerning the financial year 2019¹, the revenue received and expenditure incurred for 2019 was legal and regular, and more than half of EU expenditure in 2019 may be considered as high-risk, an increase on 2018, including reimbursement-based payments for investments in the areas of cohesion and rural development; notes with concern the increase in the estimated rate of material error from 4,5 % in 2018 to 4,9 % in 2019; recalls, however, that for the 2000-2006 programming period, the section of cohesion policy and rural development of the EU budget recorded a double-digit error rate; highlights the fact that high-risk expenditure accounted for over half (53%) of the expenditure audited in 2019, which was an increase on 2018; calls on the Commission and Member States to carefully note this high level of risk and the resulting potential for a possible subsequent loss of funding, made somewhat more considerable by strict time limits foreseen in certain cohesion policy-related legislation adopted in the wake of the current COVID-19 crisis;
2. Welcomes efforts to simplify requirements for project managers and management authorities in the Member States under the 2021-2027 programming period of the Common Provisions Regulation and the MFF-related funds, as further simplification of rules and procedures can contribute to a more efficient use of funds and a reduced error rate; emphasises, that any increase in funding requires greater attention and that in the event of an error, the institutions risk a loss to their credibility;
3. Acknowledges that high-risk expenditures are often subject to complex rules and eligibility conditions, and that such rules and conditions are often supplemented by further requirements imposed by national authorities, leading to an increased risk of error that underlines the difference between error and fraud; recalls in this respect the ECA's previous positions on the errors in the reimbursement of VAT and the need to simplify the rules in this area to help the Member States to comply with their obligations to pay beneficiaries; is of the opinion that the level of error estimated by the ECA for 2019 expenditure in this area should be assessed in the context of the multiannual nature of the programmes, in which case further corrections should be exercised at a later stage which could lead to a significant reduction of the risk at the programme closure; invites the ECA to produce a report with an estimated error rate after the closure of the 2007-2013 Cohesion Policy programmes;
4. Notes the decrease in the estimated level of error in spending on 'Economic, social and territorial cohesion' from 5 % in 2018 to 4,4 % in 2019; welcomes this year-on-year improvement, but is disappointed that it has not proved possible to decrease the error rate to the 3 % level recorded in 2017, despite the simplification measures provided for in the Omnibus Regulation; is convinced that efforts should be made in this regard

¹ <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=53898>

during the next programming period;

5. Notes that the main reasons for this error rate are project ineligibility, infringement of internal market rules, and ineligible expenditure; recalls that these areas have high risk of error and that checks by managing authorities and audit institutions are not always effective; also, in most cases, a financial error does not constitute fraud. Stresses that the European Union needs cohesive, efficient and reliable mechanisms for stimulating Member States' absorption of European funding; considers that adequate information for more transparency is required from Member States when using public procurement in the implementation of cohesion policy resources and that they need to step up their efforts to prevent and detect fraud, in cooperation with the European Public Prosecutor's Office (EPPO) and the Anti-Fraud Office (OLAF);
6. Welcomes efforts to simplify requirements for project managers and management authorities in the Member States under the 2021-2027 programming period of the Common Provisions Regulation and the MFF-related funds; underlines that the key to solving this issue is through simpler national eligibility rules which might help reduce the administrative burden and the likelihood of error, thereby ensuring a high level of transparency; urges wider use of simplified cost options which ECA also considers to be a great relief for applicants and they facilitate control; shares the ECA's conclusions stating that the change in the rules for the implementation of European Structural and Investment (ESI) Funds should further accelerate the implementation process; points out that there is a need for an improvement of the audit working methods at the national level; invites the Commission, in a structured dialogue with Member States, to analyse administrative practices and procedures to eliminate inefficiencies and to disseminate examples of effective administrative practices and procedures to all competent authorities;
7. Acknowledges that the COVID-19 crisis has provided a new and unexpected challenge; that the EU and its Member States need to respond determinedly and provide solutions at the EU and national level; points out that cohesion policy has already proven its added value and will be even more indispensable in the aftermath of the COVID-19 crisis; welcomes the increasing financial flexibility with regards to the spending of cohesion funds which enables Member States to use the funds to finance crisis-related projects; underlines the necessity of fostering the continuity and deeper cooperation of all stakeholders relevant to cohesion policy, mainly small and medium-sized enterprises, municipalities and regions, which will struggle with unemployment and healthcare in the coming months; underlines that eliminating the root causes of irregularities via streamlining and strengthening of administrative capacities would help beneficiaries and authorities concentrate on results and contribute to reducing the error rate; notes that the urgent flexibility measures adopted in response to the COVID-19 crisis have had an immediate effect, and that many of these measures, which have yielded outstanding results, should be continued and strongly believes that the rule-of-law conditionality will also contribute to increasing the regularity of EU funding;
8. Notes with concern that, at the end of the sixth year of implementation, absorption rates for the European Regional Development Fund (ERDF) and Cohesion Fund (CF) are 6,6% lower than at the same stage in the previous programming period; stresses that this is partially due to the delays at the start of the programming period; notes, however, that

the absorption rate of ESI Funds in 2019 was higher than in any other year of the MFF 2014-2020 period. Furthermore, draws attention to the risk that, as the eligibility period draws to an end and given the circumstances of the COVID-19 crisis, Member States may prioritise absorption rates over cohesion objectives, performance and regularity; underlines that a shift from performance to compliance would hinder the cohesion objectives and generate unnecessary spending, therefore calls on the Commission to develop measures to simplify procedures, which under the above-mentioned circumstances would contribute to the responsible and adequate use of funds, and thus to recovery in the Member States, keeping in mind that Member States' objectives for the 2021-2027 programming period need to be far more ambitious, as a response to the economic and social impact of the COVID-19 crisis, with a view to protecting citizens, saving jobs and bolstering the investment climate, involving all levels of government in the development and implementation of the recovery plans;

9. Points out that the Union is having recourse to financial instruments and guarantees for the EIB group, placing the Union budget at greater risk of exposure, as already pointed out by the ECA;
10. Notes with concern the ECA's annual report concerning the financial year 2019 , as it would point out, that most of the errors in expenses of programmes under shared management have their origins in errors in audits by national audit authorities; welcomes therefore the creation of technical assistance programmes by the European Commission for collaboration with managing bodies, training programmes and deepening the figures of National Experts programmes as a tool to increase the knowledge of the instruments and avoid aforementioned errors; points out in this context the necessary monitoring of the European Commission's Anti-Fraud Strategy as well as support and assistance to Member States in the implementation of anti-fraud measures, including the analysis of irregularities reported by Member States in the ESI Funds, as any kind of fraud in relation to EU funding should be eliminated to consolidate citizens' trust in EU spending and EU's institutions;
11. Calls on the Commission to identify the regions that have low funding take-up rates and to help them to improve it through the identification of the rules that can improve the efficiency and effectiveness of the Cohesion Funds;
12. Finds that the effects of the relatively low levels of implementation in cohesion policy, compared to the rest of the EU budget, worrisome; agrees with the approach of the ECA that it is necessary to ensure appropriate funding for payments under the EU budget for the forthcoming years.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	24.2.2021
Result of final vote	+: 39 -: 0 0: 2
Members present for the final vote	Mathilde Androuët, Pascal Arimont, Adrian-Dragoş Benea, Isabel Benjumea Benjumea, Tom Berendsen, Erik Bergkvist, Stéphane Bijoux, Franc Bogovič, Vlad-Marius Botoş, Andrea Cozzolino, Corina Creţu, Rosa D'Amato, Tamás Deutsch, Christian Doleschal, Francesca Donato, Raffaele Fitto, Chiara Gemma, Mircea-Gheorghe Hava, Krzysztof Hetman, Manolis Kefalogiannis, Ondřej Knotek, Constanze Krehl, Elżbieta Kruk, Cristina Maestre Martín De Almagro, Nora Mebarek, Martina Michels, Andżelika Anna Mozdżanowska, Niklas Nienaß, Andrey Novakov, Younous Omarjee, Alessandro Panza, Tsvetelina Penkova, Caroline Roose, André Rougé, Susana Solís Pérez, Irène Tolleret, Yana Toom, Monika Vana
Substitutes present for the final vote	Rosanna Conte, Bronis Ropè, Veronika Vrecionová

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

39	+
ECR	Raffaele Fitto, Elzbieta Kruk, Anđelika Anna Mozdżanowska, Veronika Vrecionová
ID	Rosanna Conte, Francesca Donato, Alessandro Panza
NI	Chiara Gemma
PPE	Pascal Arimont, Isabel Benjumea Benjumea, Tom Berendsen, Franc Bogovič, Tamás Deutsch, Christian Doleschal, Mircea-Gheorghe Hava, Krzysztof Hetman, Manolis Kefalogiannis, Andrey Novakov
Renew	Stéphane Bijoux, Vlad-Marius Botoș, Ondřej Knotek, Susana Solís Pérez, Irène Tolleret, Yana Toom
S&D	Adrian-Dragoș Benea, Erik Bergkvist, Adrea Cozzolino, Corina Crețu, Constanze Krehl, Cristina Maestre Martín De Almagro, Nora Mebarek, Tsvetelina Penkova
The Left	Martina Michels, Younous Omarjee
Verts/ALE	Rosa D'Amato, Niklas Nienaß, Caroline Roose, Bronis Ropè, Monika Vana

0	-
----------	----------

2	0
ID	Mathilde Androuët, André Rougé

Key to symbols:

+ : in favour

- : against

0 : abstention