



2023/2129(DEC)

25.1.2024

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 2022, Section III – Commission and executive agencies
(2023/2129(DEC))

Rapporteur for opinion: Younous Omarjee

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. Reminds that cohesion spending is reimbursement-based and hence very complex and more prone to error than other spending areas; acknowledges that the proximity of the closure of the 2014-2020 period, the flexibilities and additional funding made available through CRII(+), CARE and REACT-EU and the parallel implementation of the RRF may have contributed to increasing the pressure on the managing authorities and beneficiaries and thus the number of errors;
2. Stresses, in this regard, the inherent risks posed by these simultaneous activities for all bodies responsible for managing and controlling these funds and concurs with the Court of Auditors that an additional advisory support from the Commission to national authorities would be needed in this particular context;
3. Urges the Commission to simplify administrative procedures with a view to ensuring that cohesion policy funds are spent responsibly and appropriately; stresses in particular the need for further simplification of rules, greater use of simplified cost options and improved effectiveness of ex ante and ex-post checks;
4. Takes note of the Commission's statement¹ which mentions that particular attention is being paid to the implementation of the Just Transition Fund (JTF) due to the timeframe to spend NextGenerationEU (NGEU) resources by the end of 2026, but underlines the quite insufficient progress in its implementation and absorption rate;
5. Welcomes the financial flexibility available in the use of cohesion funds and underlines that, thanks to this flexibility, cohesion policy played a frontline role to address the Covid crisis, the war-related emergencies, as well as the energy crisis; reminds, however, that the rationale of this policy is to ensure a long-term planning of measures that should strengthen economic, social, and territorial cohesion between European regions; believes that post-2027 cohesion policy must provide the flexibility needed in the use of funds to enable the Member States and regional and local authorities to steer resources in an appropriate and reliable manner, always in line with cohesion policy long-term objectives;
6. Reminds that, without prejudice to the need to support the authorities, including in particular local and regional authorities, as well as beneficiaries to better comply with spending rules and minimise errors, the most pressing issues to be addressed in the area of cohesion policy are the overly complex rules and procedures, with the need of more flexible processes, and the disproportionate administrative burden they entail, and the effective targeting of the funds;
7. Also highlights the recurrent problems caused by the diversion of cohesion funds towards other policy areas as a rule and not as an exception, as happened recently with

¹ Commission replies to main ECA observations (Budgetary and financial management in 2022, p. 382)

the STEP proposal;

8. Points out the importance of the legality and regularity of cohesion spending as well as the crucial role that managing and audit authorities play in this respect; recalls the need to simplify and rationalise audits, concentrating on what is necessary to fight against fraud; reminds, in addition, that according to the 21-27 Common Provisions Regulation, Member State authorities should report all cases of suspected or established fraud related to EU-funded projects that they identify, and that they should report these cases even if they detect them before declaring expenditure to the Commission;
9. Highlights the significant role of the European Anti-Fraud Office and the European Public Prosecutor's Office (EPPO) in protecting the EU budget; calls on all Member States to join the EPPO; reminds that, in her appearance before the Committee on Regional Development on 25 May 2023, the European Public Prosecutor noted that the management and control system for EU expenditure currently in place is not designed to detect fraud and that audits or administrative investigations rarely detect financial crime, which often has a cross-border dimension; stresses the need to provide the EPPO with the necessary means to carry out its duties; is of the opinion that a strengthened EPPO would make it possible for the legislator to further simplify the regulatory framework for cohesion in order to improve the implementation of the funds;
10. Welcomes the adoption of national anti-fraud strategies by 24 Member States in total, as it should increase the protection of the EU's financial interests; calls for more effort at EU level and in the Member States to tackle fraud;
11. Expresses concerns about the Commission's reported plans to disburse the suspended 6.3 billion EUR from the RRF to Hungary in exchange for its endorsement of the aid for Ukraine; points out, that the suspended funds should not be released to Hungary until the remedial measures adopted by the Hungarian government have proven effective in practice;
12. Notes that according to the European Court of Auditors (ECA) Annual report for the financial year 2022, the estimated level of error in spending on 'Cohesion, resilience and values' is 6.4% while the Commission's error estimates, between 1.8 % and 2.6 %, are above the materiality threshold but are significantly lower than the Court's²; points out that, although both institutions apply different methodologies, the growing discrepancy between their assessments, especially in the area of cohesion, raises great concerns;
13. Acknowledges that both the Commission and the ECA identified ineligible expenditure, public procurement, audit trail and State aid as the main sources of irregularities; underlines that recurring errors such as ineligible costs and projects could be better addressed to support managing authorities in reducing these errors, but that this should be done in a way that does not complicate the management of the funds to the detriment of regional and local authorities and final beneficiaries;
14. Draws attention to the increased risk of decommitments in the coming years and urges the Commission to continue and strengthen its cooperation with the Member States and

² European Court of Auditors, Annual report on the implementation of the EU budget for the 2022 financial year.

the regions to speed up and ease complete and correct good closure of the 2014-2020 programming period, allowing for these authorities to draw lessons for the implementation of the ongoing one;

15. Is concerned that the prioritisation of the RRF in the Member States is causing delays in the implementation of funds under the CPR 2021-2027; draws attention to the cases of weak design that the ECA has found in relation to the measures and underlying milestones or targets in the recovery plans; highlights that these latter should clearly define all milestones and targets and stresses that all the problems regarding the reliability of information that member states included in their management declarations should be properly addressed;
16. Calls on the Member States to accelerate the investment of cohesion resources to support the creation of jobs, economic growth, business competitiveness as well as inclusion of socially vulnerable groups and urges the Commission to take concrete measures to this end, such as the development of a one-stop-shop that consolidates the information relative to all available funds including updated and detailed information on beneficiaries;
17. Highlights the findings of the Court's special report 09/2022 on climate-spending information for 2014-2020 and welcomes that the Commission accepted³ the three recommendations on the climate relevance of agricultural funding, the need for enhancing climate reporting and the link of the EU budget to climate and energy objectives;
18. Stresses the importance of cohesion policy in promoting gender equality and regrets that, in the EU's budget cycle, gender equality has not been adequately taken into account and that the Commission has not yet lived up to its commitment to gender mainstreaming in the EU budget; welcomes nevertheless that the Commission implemented the methodology to track all EU spending programmes' contributions to gender equality under the 2021-2027 multiannual framework and that this methodology was piloted in the 2023 draft budget.

³ Commission replies to main ECA observations (Results of the ECA performance audits, p.388)

**ANNEX: ENTITIES OR PERSONS
FROM WHOM THE RAPPORTEUR HAS RECEIVED INPUT**

The rapporteur declares under his exclusive responsibility that he did not receive input from any entity or person to be mentioned in this Annex pursuant to Article 8 of Annex I to the Rules of Procedure.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

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| Date adopted | 23.1.2024 |
| Result of final vote | +: 33 -: 0 0: 3 |
| Members present for the final vote | Pascal Arimont, Isabel Benjumea Benjumea, Stéphane Bijoux, Vlad-Marius Botoș, Corina Crețu, Rosa D'Amato, Christian Doleschal, Matthias Ecke, Mircea-Gheorghe Hava, Peter Jahr, Manolis Kefalogiannis, Elżbieta Kruk, Cristina Maestre Martín De Almagro, Nora Mebarek, Eric Minardi, Andželika Anna Możdżanowska, Niklas Nienaß, Andrey Novakov, Younous Omarjee, Witold Pahl, Alessandro Panza, Tsvetelina Penkova, Wolfram Pirchner, Caroline Roose, Marcos Ros Sempere, Monika Vana |
| Substitutes present for the final vote | Franc Bogovič, Daniel Buda, Isabel Carvalhais, Sandro Gozi, Denis Nesci, Mauri Pekkarinen, Rovana Plumb, Bronis Ropė |
| Substitutes under Rule 209(7) present for the final vote | Jordi Cañas, Marie Dauchy |

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

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| ECR | Andželika Anna Mozdżanowska |
| ID | Marie Dauchy, Eric Minardi |
| PPE | Pascal Arimont, Isabel Benjumea Benjumea, Franc Bogovič, Daniel Buda, Christian Doleschal, Mircea-Gheorghe Hava, Peter Jahr, Manolis Kefalogiannis, Andrey Novakov, Witold Pahl, Wolfram Pirchner |
| Renew | Stéphane Bijoux, Vlad-Marius Botoş, Jordi Cañas, Sandro Gozi, Mauri Pekkarinen |
| S&D | Isabel Carvalhais, Corina Creţu, Matthias Ecke, Cristina Maestre Martín De Almagro, Nora Mebarek, Tsvetelina Penkova, Rovana Plumb, Marcos Ros Sempere |
| The Left | Younous Omarjee |
| Verts/ALE | Rosa D'Amato, Niklas Nienaa, Caroline Roose, Bronis Ropé, Monika Vana |

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| ECR | Elżbieta Kruk, Denis Nesci |
| ID | Alessandro Panza |

Key to symbols:

+ : in favour

- : against

0 : abstention