European Parliament
2019-2024

TEXTS ADOPTED

P9_TA(2021)0164

2019 discharge: EU general budget - Commission and executive agencies

1. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's 2019 Annual Management and Performance Report for the EU Budget (COM(2020)0265),

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on the implementation of the budget for the financial year 2019, together with the institutions' replies[3], the Court of Auditors' report on the performance of the EU budget - Status at the end of 2019, together with the institutions' replies [4], and to the Court of Auditors' special reports,

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 377, 9.11.2020, p. 13.
4 OJ C 381, 12.11.2020, p. 4.
5 OJ C 384, 13.11.2020, p. 180.

to the Commission in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Council, the Commission, the Court of Auditors, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for their publication in the *Official Journal of the European Union* (L series).

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[1] OJ L 193, 30.7.2018, p. 1.

2. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the Education, Audiovisual and Culture Executive Agency (now European Education and Culture Executive Agency) for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 10.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/776/EU of 18 December 2013 establishing the Education, Audiovisual and Culture Executive Agency and repealing Decision 2009/336/EC[4],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[5],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Director of the European Education and Culture Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and the resolution forming an integral part of those decisions,

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 343, 19.12.2013, p. 46.
5 OJ L 50, 15.2.2021, p. 9.

to the Director of the European Education and Culture Executive Agency, 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).

3. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the Executive Agency for Small and Medium-sized Enterprises (now European Innovation Council and SMEs Executive Agency) for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the Executive Agency for Small and Medium-sized Enterprises for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 12.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/771/EU of 17 December 2013 establishing the Executive Agency for Small and Medium-sized Enterprises and repealing Decisions 2004/20/EC and 2007/372/EC[4],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[5],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Acting Director of the European Innovation Council and SMEs Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and the resolution forming an integral part of those decisions,

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 341, 18.12.2013, p. 73.
5 OJ L 50, 15.2.2021, p. 9.

to the Acting Director of the European Innovation Council and SMEs Executive Agency, 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).

4. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the Consumers, Health, Agriculture and Food Executive Agency for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 7.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/770/EU of 17 December 2013 establishing the Consumers, Health and Food Executive Agency and repealing Decision 2004/858/EC[4],

– having regard to Commission Implementing Decision 2014/927/EU of 17 December 2014 amending Implementing Decision 2013/770/EU in order to transform the Consumers, Health and Food Executive Agency into the Consumers, Health, Agriculture and Food Executive Agency[5],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[6],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Director of the Consumers, Health, Agriculture and Food Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2019;

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 341, 18.12.2013, p. 69.
5 OJ L 363, 18.12.2014, p. 183.
6 OJ L 50, 15.2.2021, p. 9.

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Consumers, Health, Agriculture and Food Executive Agency, 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).

5. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the European Research Council Executive Agency for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the European Research Council Executive Agency for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 30.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/779/EU of 17 December 2013 establishing the European Research Council Executive Agency and repealing Decision 2008/37/EC[4],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[5],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Director of the European Research Council Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and the resolution forming an integral part of those decisions,

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 346, 20.12.2013, p. 58.
5 OJ L 50, 15.2.2021, p. 9.

to the Director of the European Research Council Executive Agency, 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).

6. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the Research Executive Agency (now European Research Executive Agency) for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the Research Executive Agency for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 47.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/778/EU of 13 December 2013 establishing the Research Executive Agency and repealing Decision 2008/46/EC[4],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[5],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Director of the European Research Executive Agency discharge in relation to the implementation of the Agency’s budget for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the European Research Executive Agency, the Council, the Commission

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 346, 20.12.2013, p. 54.
5 OJ L 50, 15.2.2021, p. 9.

and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

7. European Parliament decision of 28 April 2021 on discharge in respect of the implementation of the budget of the Innovation and Networks Executive Agency(now European Climate, Infrastructure and Environment Executive Agency) for the financial year 2019 (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the final annual accounts of the Innovation and Networks Executive Agency for the financial year 2019[3],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on EU agencies for the financial year 2019, together with the agencies' replies[4],

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 1.
3 OJ C 370, 3.11.2020, p. 46.
4 OJ C 351, 21.10.2020, p. 7.
5 OJ C 384, 13.11.2020, p. 180.

(EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(3) thereof,

– having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[3], and in particular the first and second paragraphs of Article 66 thereof,

– having regard to Commission Implementing Decision 2013/801/EU of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC[4],

– having regard to Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Climate, Infrastructure and Environment Executive Agency, the European Health and Digital Executive Agency, the European Research Executive Agency, the European Innovation Council and SMEs Executive Agency, the European Research Council Executive Agency, and the European Education and Culture Executive Agency and repealing Implementing Decisions 2013/801/EU, 2013/771/EU, 2013/778/EU, 2013/779/EU, 2013/776/EU and 2013/770/EU[5],

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Grants the Director of the European Climate, Infrastructure and Environment Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019,

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.
3 OJ L 297, 22.9.2004, p. 6.
4 OJ L 352, 24.12.2013, p. 65.
5 OJ L 50, 15.2.2021, p. 9.

Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the European Climate, Infrastructure and Environment Executive Agency, 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).

8. European Parliament decision of 28 April 2021 on the closure of the accounts of the general budget of the European Union for the financial year 2019, Section III – Commission (2020/2140(DEC))

The European Parliament,

– having regard to the general budget of the European Union for the financial year 2019[1],

– having regard to the consolidated annual accounts of the European Union for the financial year 2019 (COM(2020)0288 – C9-0220/2020)[2],

– having regard to the Commission's report on the follow-up to the discharge for the 2018 financial year (COM(2020)0311), and to the complementing detailed replies,

– having regard to the Commission's 2019 Annual Management and Performance Report for the EU Budget (COM(2020)0265),

– having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2019 (COM(2020)0268), and to the accompanying Commission staff working document (SWD(2020)0117),

– having regard to the Court of Auditors' annual report on the implementation of the budget for the financial year 2019, together with the institutions' replies[3], the Court of Auditors' report on the performance of the EU budget - Status at the end of 2019, together with the institutions' replies [4], and to the Court of Auditors' special reports,

– having regard to the statement of assurance[5] 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 2019, pursuant to Article 287 of the Treaty on the Functioning of the European Union,

– having regard to the Council's recommendation of 1 March 2021 on discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2019 (05792/2021 – C9-0037/2021),

– having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

– having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No

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1 OJ L 67, 7.3.2019, p. 1.
2 OJ C 384, 13.11.2020, p. 180.
3 OJ C 377, 9.11.2020, p. 13.
4 OJ C 381, 12.11.2020, p. 4.
5 OJ C 384, 13.11.2020, p. 180.

223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012[1], and in particular Articles 69, 260, 261 and 262 thereof,

– having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[2], and in particular Article 14(2) and (3) thereof,

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

1. Approves the closure of the accounts of the general budget of the European Union for the financial year 2019;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision to the Council, the Commission, the Court of Justice of the European Union, the Court of Auditors and the European Investment Bank, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for its publication in the *Official Journal of the European Union* (L series).

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1 OJ L 193, 30.7.2018, p. 1.
2 OJ L 11, 16.1.2003, p. 1.

9. European Parliament resolution of 29 April 2021 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission and executive agencies (2020/2140(DEC))

The European Parliament,

– having regard to its decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2019, Section III – Commission,

– having regard to its decisions on discharge in respect of the implementation of the budgets of the executive agencies for the financial year 2019,

– having regard to Rule 99 of and Annex V to its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality,

– having regard to the report of the Committee on Budgetary Control (A9-0117/2021),

A. whereas the Union budget is a significant instrument for achieving common policy objectives, and on average represents 1,0 % of EU gross national income or 2,1 % of the Member States' general government expenditure and total public spending in the Union;

B. whereas, when Parliament grants discharge to the Commission, it verifies and evaluates whether or not funds have been used correctly and policy goals have been achieved after internal and external audits, thus confirming the regularity and the performance in terms of value for money of the Commission's spending;

C. whereas the 2019 discharge procedure covers a year marked by political and institutional transition with elections to the European Parliament and a new legislature which commenced on 2 July 2019 and the appointment of a new Commission, which took office on 1 December 2019 and which set new political priorities such as the European Green Deal, an increasing focus on digitalising the Union and the protection of its values and of the money of Union taxpayers;

D. whereas the outbreak of the novel coronavirus (COVID-19) did not require any adjustments to the figures reported in the 2019 Union annual accounts; whereas, however, in 2020 and in the years to come, the COVID-19 outbreak will have a significant global impact, as well as having important implications for the Union budget, and whereas in this regard, we have to determine with particular attention whether the Commission has used the Union budget with efficiency and transparency, because as from 2020, the implementation of the Union's immediate response initiatives will affect the recognition, measurement or reclassification of multiple assets and liabilities in the financial statements of the Union;

E. whereas as a direct consequence of the outbreak of the novel coronavirus (COVID-19) the Committee on Budgetary Control could not organise or fully carry out all of its planned activities related to the usual controls of the Union institutions' spending, i.e. its fact finding missions, public hearings or workshops and therefore had to rely even more heavily on the work of the Court;

Political priorities

1. Highlights, with regard to the implementation of the Union budget, the importance of complying with the principle of sound financial management as enshrined in Article 317 of the Treaty on the Functioning of the European Union (TFEU), as well as the importance of achieving programmes priorities and objectives which contribute to strengthening European integration and creating an ever-closer Union;

2. Is concerned about the state of rule of law in certain Member States and the financial loss caused by such deficiencies; expects the Commission to employ all instruments at its disposal to suspend, reduce and restrict access to Union funding in such cases including the use of the Rule of Law Regulation; emphasises that respect for the rule of law is a precondition for sound financial management including the efficient and effective allocation and management of European funds; strongly welcomes in that regard the adoption of Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget; welcomes that the Commission has started its work on guidelines; stresses that the Court of Justice of the European Union (CJEU) has already unequivocally established in its judgement that statements contained in European Council Conclusions cannot prevail over or modify the text of the regulation;

3. Recalls that annulment of the regulation or part of it is only possible by the CJEU; urges the Commission, as "Guardian of the Treaties" to apply the regulation from the date it entered into force and to start the rule of law mechanisms when it is necessary to ensure the protection of the Union´s financial interests in all dimensions; underlines that the regulation entered into force on1 January 2021; recalls that Parliament can hold the Commission to account with regard to its application of the regulation, including any unjustified delays, through an action for failure to act under Article 265 TFEU; recalls that this regulation, designed to protect Union funds, will have to be applied to all commitments and payments, while providing safeguards for final beneficiaries and recipients;

4. Deplores the fact that the implementation of the CAP and the Cohesion Policy in Member States contains in total 292 reporting systems, which makes the data fragmented and non-comparable, and prevents the effective use of AI and big data to control the funds; deplores the fact that deficiencies in the validity and comparability of data and reporting technologies with varying degrees of digitalisation continue to severely hamper a comprehensive overview over the distribution of Union funds and their efficient control; regrets that the detection of misuse, fraud and embezzlement of Union funds is mostly limited to incidental discoveries by the Commission and the European Court of Auditors (the "Court") during their sample-based audits or investigations by OLAF;

5. Deplores the fact that none of the CAP and Cohesion policy reporting systems contains

information on the ultimate beneficiaries, that disclosing this information is not legally required, and that not all information on beneficial owners of the companies is available in the national central registers of all Member States; emphasises that an interoperable IT system would not only allow for an earlier and more efficient detection of misuse, fraud, misappropriations, conflicts of interest, double-funding and other systemic problems but would also allow for a comprehensive overview of the true distribution of Union funds and potentially unintended concentrations in the hands of few oligarchic or even criminal ultimate beneficiaries; underlines that the lack of information about the ownership structures and beneficial owners of companies and groups of companies significantly contributes to the opaqueness of the current distribution of funds; emphasises again the crucial importance of comprehensive, reliable and comparable data for the efficient, effective and timely control of European spending and the protection of European tax-payers' money;

6. Recalls Parliament's call on the Commission to propose a regulation for the establishment of such an interoperable IT system allowing for uniform and standardised reporting in a timely manner by Member States' authorities in the area of shared management, particularly regarding CAP and cohesion funds, for an earlier detection of systemic errors and misuse as expressed in the discharge report for the Commission for the financial year 2018; underlines that such a system should be updated automatically with comparable and timely data to make the system capable of monitoring, controlling with the use of AI and big data; calls on the Commission to make the publication of all information on beneficial owners a legal requirement, as a prerequisite for the use of Union funds, as a matter of urgency;

7. Underlines the benefits such an interoperable and digital system would entail for the Member States' authorities with regard to the control and overview of national Parliaments and governments of the allocation, management and distribution of national taxpayers' money in the form of European funds; emphasises that the digitalisation of Union reporting, monitoring and audit is overdue and indispensable given the cross-border nature of misuse of funds, fraud, misappropriations, conflicts of interest, double-funding and other systemic problems; acknowledges proposals made by Parliament and the Commission during the negotiations about the Multiannual Financial Framework 2021-2027 (MFF), the Recovery and Resilience Facility (RRF), the Common Provisions Regulation (CPR) and the CAP;

8. Regrets the fact that the Council only reluctantly engaged in negotiations for viable compromises; regrets that different rules and reporting requirements were agreed in the different pieces of legislation; urges the Commission to propose a suitable provision for inclusion in the Financial Regulation without undue delay;

9. Recalls that the discharge report for 2018 called on the Commission to provide the discharge authority with a list of the total amount of payments to all companies belonging to the Agrofert Group across all Member States and a list of the 50 largest individual recipients (natural persons as beneficial owners of a company or of several companies) per Member State as well as a list of the 50 largest recipients (natural persons and legal persons as well as natural persons as owners of companies) of Union subsidies aggregated across all Member States; acknowledges repeated attempts by the Commission to compile such a list by requesting information from the Member States; strongly deplores that the Commission until the date of this resolution has not been able to provide the list as requested due to a lack of complete, reliable and comparable data

provided by Member States; underlines that this illustrates and emphasises the pressing need for a digital, interoperable reporting and monitoring system for funds under shared management; urges the Commission to provide the list of the 50 largest individual ultimate beneficiaries as well as a comprehensive list of all subsidies received by all companies of the Agrofert Group under shared management in all Member States from 2014-2020 as requested without any further undue delay and urges the Member States to cooperate fully with the Commission by providing the data needed for the analysis and for compiling those lists;

10. Reiterates its call on the Commission to:

– remove any technical and legal barriers to the collection of data on company structures and beneficial ownership and establish measures to ensure a digital and interoperable, standardized collection of information on the recipients of Union funding, including on those ultimately benefitting, directly or indirectly, from Union funding and their beneficial owners;

– put in place the necessary digital systems and instruments for the compulsory use of all Member States, including but not limited to a single data-mining and risk-scoring tool allowing the Commission, OLAF and, where applicable, the EPPO to access and analyse such data on the recipients of Union funding (including their beneficial owners) for the purposes of control and audit, in order to enhance the protection of the Union budget and Next Generation EU against irregularities, fraud and conflicts of interest;

– continue attaching the highest importance to the sound financial management of the Union budget, in particular through putting in place multiannual control strategies designed to prevent, detect and correct errors, as well as to continue carefully monitoring the implementation of the Union budget and to take immediate steps to correct the errors and to recover the funds incorrectly spent by Member States, intermediaries or final beneficiaries;

11. Recalls that Commission established the early detection and exclusion system (EDES) based on Art. 135 in the Financial Regulation to reinforce the protection of the Union's financial interests, guarantee sound financial management and to ensure that those companies and beneficial owners cannot benefit from Union funds who have been convicted in relation to fraud, corruption or other criminal activities related to the use of Union funds, or against whom at least OLAF issued judicial recommendations to the criminal authorities of the Member States as of 1 January 2016; is of the opinion that this tool could help the Union institutions and national bodies to better fight and prevent corruption and fraud in the Member States; regrets that the database only lists a few economic operators (five as per February 2021); views this as a sign that EDES is not properly implemented;

12. Asks the Commission to consider the extension of the application of EDES to funds under shared management covering shared management beneficiaries, bodies implementing financial instruments and final recipients, when proposing the revision of the financial rules applicable to the general budget of the Union (Financial Regulation) with respect for the principles of proportionality and appropriateness; notes that legislative changes with respect to the exclusion from all Union funds across different spending modes of beneficiaries who are also registered under shared management

would additionally entail the need to provide that Member States can directly access the Commission-owned system and insert information about beneficiaries under their own responsibility; urges Member States and the Commission to guarantee an increased interoperability of the existing, European and national, databases and data-mining tools; acknowledges that the EDPS sees no general data protection issues on establishing such interoperability, but the necessity for a clear legal basis;

13. Calls on the Commission to:

– report to the discharge authority on the reasons for why EDES only contains very limited entries;

– take the necessary action to improve the working, implementation and operability of EDES to ensure that all economic operators that fulfil the criteria of Art 136(1) (c) to (h) of the Financial Regulation are listed; calls further on the Commission to review the criteria with a view to decreasing their complexity and to increasing their applicability in practice;

– improve its use of this tool to connect the blacklist to OLAF and the EPPO and the national databases and create an automated system, which updates this database with reliable and timely information;

14. Considers, in line with the Commission's endeavour, that it is of the utmost importance to strike the right balance between low level of errors, fast payments, reasonable costs of controls and added value of the Union Budget;

15. Stresses the crucial role of Union policies and instruments for their realisation for reducing disparities between Member States and regions in the areas of cohesion, agriculture and rural development, research and innovations, home affairs and external relations, for promoting economic growth and employment, for combating poverty and social exclusion, and for upholding and promoting Union values, security and justice for its citizens within the Union and in the wider world;

16. Welcomes the fact that the Commission, as manager of the Union budget, appropriately tailors its common methodology to the specificities of the risk, control and management environments in the different spending areas, in order to effectively fulfil its reporting obligations and protect the Union Budget;

17. Points out that Article 61 of the Financial Regulation has provided since August 2018 for an enlarged definition of conflicts of interest; emphasises the Commission’s responsibility to ensure that these provisions are implemented with due diligence across the Union, and all forms of conflicts of interest are tackled efficiently and effectively throughout the implementation of the Union budget; stresses the importance of available public information on final beneficiaries for all Union financial transfers, in order to prevent conflicts of interest in the implementation of Union budget;

18. Reiterates its call on the Commission to ensure proper evaluation of the preventive measures taken by the Member States to avoid conflicts of interest; welcomes, in this regard, the guidelines from the Commission “Guidance on avoidance of conflicts of interest under the Financial Regulation”, distributed to the Member States in August 2020, aiming to promote a uniform interpretation and application of rules concerning

conflicts of interest and to raise awareness on the applicability of these rules, including in relation to shared management; calls on the Commission to make these Guidelines public and also share the information about the audits carried out on these issues and examples of good practice with both Member States' authorities and the Committee on Budgetary Control;

19. Is concerned about the possible narrow interpretation of the Article 61 of Regulation (EU, Euratom) 2018/1046 by the Czech Paying Agency (the State Agricultural Intervention Fund) who considers it non-applicable for the members of the Government; urges the Commission to provide its opinion on the interpretation of the said article regarding national Paying Agencies; calls on the Commission to ensure that Article 61 of Regulation (EU, Euratom) 2018/1046 is respected and implemented in the Czech Republic, and applied on all payments from the Union budget, including direct payments under the 1st pillar of CAP, and to monitor the independent functioning of Paying Agencies in this regard;

20. Recalls that a number of scandals surrounding the distribution and the misuse of the Union funds in countries such as Bulgaria, Czechia or Slovakia and Romania triggered massive public protests in recent months and years, with Union citizens looking to Union institutions, in particular the Commission, to ensure the end of such mismanagement of public money;

21. Welcomes the new corporate anti-fraud strategy, adopted by the Commission in April 2019, on OLAF's initiative, with the objective of enhancing the Commission's knowledge about fraud and its analytical capability to steer anti-fraud action, to ensure cooperation among departments and executive agencies in fighting fraud, and to strengthen the corporate oversight of the fight against fraud; calls on the Commission to prepare a follow-up report on the efficiency of its implementation and first results achieved and to report back to the discharge authority;

22. Stresses that, in view of the MFF and the Recovery and Resilience Facility, the financial resources of the Union should support the increasing priorities and responsibilities of the Union. The protection of the Union's financial interest is of utmost importance and that the strongest efforts are necessary at all levels in order to prevent, and to fight against fraud, corruption and misuse of Union funds; calls on the Commission to propose the provision of sufficient financial and human resources for the Court, OLAF and the EPPO and to continue providing them together with a strong political support, to execute their activities of audit, investigation and prosecution in the protection of the financial interest of the Union;

23. Notes at the same time that the increasing use of financial mechanisms to deliver Union policies in third countries alongside the Union budget risks undermining the accountability and transparency of Union action and spending; insists that the Commission ensures that the delivery of external aid is subject to the rule of law and respect for human rights in recipient countries; stresses, in particular, the need to guarantee that countries and third parties and/or natural persons that are allocated or linked to Union funds adhere to core democratic values, respect international human rights standards and subscribe to principles of non-violence;

24. Recalls that development and cooperation policy are intended to eradicate poverty and reduce inequality and that funds should reach only their intended beneficiaries;

25. Underlines that the creation of the European Public Prosecutor´s Office (EPPO) marks a fundamental development in the protection of the Union´s financial interests; reminds the Commission of the key role of the EPPO in protecting the Union recovery plan in the years to come; calls on all Member States to join the EPPO and nominate their Prosecutors on the basis of clear and transparent criteria;

26. Underlines the underfinancing and understaffing of the EPPO during its build-up phase, but welcomes the major increase in the EPPO's budget and staff in comparison with the initial proposal; reiterates Parliament´s opposition to the reduction of staff in OLAF as a result of posts transferred to the EPPO leading to a cumulative reduction of 45 posts by 2023 for OLAF; calls on the Commission to increase capacity by reviewing the staffing situation concerning both the EPPO and OLAF as well as Eurojust; calls on the Commission and the budgetary authorities to ensure that the budgets of OLAF, the EPPO and Eurojust are increased in order for them to be able to fulfil their mission;

27. Notes with concern that in the period between January 2015 and December 2019 there was no decision taken by judicial authorities following OLAF's recommendation in 199 cases and only in 178 cases was any decision taken[1]; calls the Member States to properly follow-up all recommendations by OLAF;

28. Endorses the recommendations from the Court's' annual report on the 2019 financial year and the Court's report on the performance of the Union budget and encourages strongly the Commission and other relevant parties to implement them as soon as possible while emphasising some of the most important and urgent recommendations below;

29. Is particularly concerned by the Court's repeated findings that the work of some national audit authorities or certifying bodies is considered too error-prone and therefore unreliable, which compromises the reliability of data for the Commission's Annual Management and Performance Report (AMPR); regrets that the Court cannot include an analysis for the underlying reasons for these persisting weaknesses in its work;

30. Regrets that the Commission could not contribute meaningful insights on the reasons nor on any country-specific differences between Member States' authorities; regrets that this lack of information on the underlying reasons for these persisting, systemic weaknesses in certain national audit authorities hinders the efficient and effective addressing and solving of these problems; calls on the Commission to conduct a thorough analysis of the underlying reasons and structural problems causing the persisting systemic weaknesses identified by the Court; asks the Commission to also include observations on best practice and based on this analysis to address clear, practical and readily implementable horizontal as well as country-specific recommendations to the national authorities as described in greater detail in the specific chapters of this resolution;

31. Calls on the Commission to pay increased attention and allocate increased staff and budget of the Commission to Member States, whose management and control systems are only partially or not reliable, where there is an increased risk of fraud and corruption related to funds and especially those Member States who did not join the European

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1 https://ec.europa.eu/anti-fraud/sites/antifraud/files/olaf_report_2019_en.pdf

Public Prosecutor's Office;

32. Calls for the utilisation of Arachne to be made a pre-condition for the use of Union Funds by Member States;

33. Underlines that the error rate calculated by the Court is a statistical summary providing a convenient single indicator of the legality and regularity of Union spending, however it does not provide a differentiated view of the different nature and graveness of errors flowing into it; acknowledges that the Court's methodology is based on international audit standards involving testing of a random sample of transaction and that a representative sample cannot be entirely risk-based; welcomes that the Court divides its samples into high-risk and low-risk transactions; appreciates that the Court already includes specific examples of the errors found; invites the Court to include even more detailed information with a view to providing in particular more geographical insight into country-specific problems;

34. Regrets the concentration of the majority of CAP direct payments in the hands of few recipients in some Member States, including where oligarch structures are created, undermining in particular small farmers and the rural communities;

35. Recalls the need for a fairer distribution of CAP funds ensuring that they are distributed in a such a manner that payments per hectare are on a reducing scale relative to the size of the holding/farm;

36. Is worried about the reported cases of land grabbing in some Member States and reiterates its call on the Commission to put in place an effective control system which would ensure that the only beneficiaries entitled to the CAP funds are those who farm the land and that they do not reach any beneficiaries who acquired the land by illegal or fraudulent means; in this regards reiterates its request for a specific complaint mechanism at Union level to support farmers or beneficiaries confronted, for example, with land-grabbing malpractices, misconduct of national authorities, pressure from criminal structures or organised crime, or persons who are subject to forced or slave labour, giving them the opportunity to swiftly lodge a complaint with the Commission, which the Commission should check as a matter of urgency[1].

37. Reiterates its concern that outstanding commitments have continued to grow, reaching a record-level EUR 298,0 billion at the end of 2019 (compared to EUR 281,2 billion in 2018); notes that the level of payment appropriations in the annual budgets has been noticeably lower than the MFF ceiling in recent years, which might lead to higher payment needs in the future; welcomes that the Commission included the estimated future payments in relation to the reinforcements proposed in 2020 as part of the Union coronavirus response in its proposal for the MFF Regulation; requests the Commission to closely monitor the implementation by Member States in the case of under-implementation and low absorption rates; welcomes the Commission´s effort to introduce the n+2 rule for all expenditure areas, stressing the need for other perspective instruments to replace the n+3 rule; invites again the Commission to increase the technical support to national, regional or local authorities, including civil society

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1 Para 23 of the 2018 discharge resolution

organisations and citizens, in order to get better absorption rates[1];

38. Recalls the increasing gap between commitments and payments and the increase in the size of the Union budget (the Court's rapid case review, 'Outstanding commitments - a closer look') which poses a serious challenge for the discharge authority too; notes that the long-term Union budget increased from EUR 1,083 to 1,800 billion for 2021-2027, including the EU Recovery plan Next GenerationEU; calls on the Commission to monitor the implementation of the national recovery and resilience plans at regular intervals to ensure that the state aid rules are fulfilled and report to the discharge authority; stresses that a failure of this request could lead to a refusal of the Discharge procedure in 2020;

39. Points out that in recent years the level of payment appropriations in the annual budgets has been noticeably below the MFF ceiling, which might lead to higher payment needs in the future and risk putting the budget under pressure;

40. Regrets that the possibility of utilising the amounts of unused commitment appropriations and decommitted appropriations under the MFF to repay the debt incurred to fund the Recovery Plan was missed;

41. Draws attention to the fact that the main financial risks to which the Union budget was exposed to in 2019 were associated with financial operations in the form of loans covered directly by the Union budget (53,7 %), and financial operations covered by an EU guarantee fund (46.3 %); observes that, when including also the possible future payments relating to the EFSI (European Fund for Strategic Investments) guarantee, the amount of the total risk borne by the EU budget reached up to EUR 90,5 billion by the end of 2019; calls on the Commission to present a complete picture of the exposure of the EU budget in the annual "Report on guarantees covered by the general budget", including the risk generated by the EFSI guarantee as well as all future financial operations concerned;

42. Points out that the Union has increasingly made use of financial instruments and budgetary guarantees provided to the EIB Group; recalls that at present, EIB Group operations that are not financed by the Union budget, but which serve the same Union objectives do not fall under the Court's audit mandate;

43. Notes that the Court wants to move towards the attestation approach; calls on the Court to continue with its own sampling checks in order to monitor individual transactions;

44. Is concerned that the current staffing situation is insufficient to cope with the increasing EU budget; stresses that an increase of the administrative capacities in the Court and the relevant secretariats in the European Parliament is indispensable; stresses if these requirements are not met it can lead to a refusal of the 2020 discharge;

45. Encourages the Court's to continue analysing the performance of the Union budget; notes that an appropriate assessment of the legality and regularity of Union action to improve accountability is the foundation for sound financial management; highlights that the indicators should evaluate the success of particular activities in a descriptive

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[1] Paragraph 17 of the 2018 discharge resolution

and objective manner without expressing any policy preferences; stresses the recommendation of the Court that the indicators need to be further elaborated and better balanced between input and output, and result and impact indicators; calls on the Commission to reduce the number of objectives and indicators to a specified set of relevant and appropriate outcome and impact indicators which best measure the results achieved in terms of effectiveness and Union added value of Union spending;

46. Endorses the reservations issued by the directors general of DG BUDG, RTD, AGRI, REGIO,EMPL, MARE, CLIMA, HOME, JUST, NEAR and REFORM in their Annual Activity Reports (AARs); is of the opinion that those reservations demonstrate that the control procedures put in place in the Commission and the Member States can only give the necessary guarantees concerning the legality and regularity of the underlying transactions in the corresponding policy areas if all necessary correction procedures are implemented successfully;

The Court's statement of assurance

47. Welcomes the fact that the Court finds the Union accounts for 2019 to be reliable, and that the Court concluded that revenue was free from material error in 2019;

48. Is concerned that, for the first time in four years, the Court has issued an adverse opinion on the legality and regularity of the expenditure underlying the accounts;

49. Observes, however, that the Court admits that the overall level of errors has remained relatively stable, at 2,7 % in 2019,compared with 2,6 % in 2018 and stresses the positive elements in Union spending, outlined by the Court, such as the development in natural resources and sustained results in administration;

50. Notes that the reasons given for the adverse opinion are as follows: on Union expenditure it is the conclusion of the Court that the level of errors mainly in reimbursement-based payments is pervasive, and that due to the way the Union budget is composed and evolves over time, high risk expenditure in 2019 represents more than half of the audited spending (53,1 %), in which the material error continues to be present at an estimated rate of 4,9 % (compared to 4,5 % in 2018 and 3,7 % in 2017);

51. Notes that the Court audited transactions worth a total of EUR 126,1 billion (out of EUR 159,1 billion of total Union spending), and that 'Natural resources' made up the largest share (47,2 %) of the Court's overall audit population, followed by 'Cohesion' (22,5 %) and 'Competitiveness' (13,2 %); reiterates its suggestion to the Court to consider both the share of the total Union expenditure and error related risk when deciding the division of the next audit share of population;

52. Notes that in 2019 the Court provided specific error rates for three MFF headings: 'Competitiveness' (4,0 %), 'Cohesion' (4,4 %), 'Natural resources' (1.9 %), while for 'Administration' the Court estimates the level of error to be below the materiality threshold; points out that the Court found the highest estimated level of error in spending under 'Economic, social and territorial cohesion'(4,4 %); with spending on 'Competitiveness for growth and jobs' reaching the worrying error rate of 4 % (compared to 2 % in 2018);

53. Acknowledges that the financial management of the Union budget has improved over

time and that the error levels have decreased to ranges closer to the 2 % materiality threshold in recent years, except in some specific policy areas, such as for example competitiveness, which is mostly under direct management by the Commission, where the estimated error rate has doubled from to 2 % in 2018 to 4 % in 2019;

54. Notes that the Court did not estimate levels of error for areas of expenditure under MFF headings 3 ‘Security and citizenship’ and 4 ‘Global Europe’; points out that the provision of error rates would allow comparability between financial years; in this regards regrets that the sample for chapter 7 and 8 is further reduced compared to last years (from 11 % in 2017 to 9,1 % in 2018 to 8,9 % in 2019 of the expenditures covered by the audit);

55. Calls on the Court to provide data on an error rate for payments for each expenditure area in its next annual report; requests the Court to extend its chapter on "Administration" in order to have a more in-depth analysis on all institutions; invites the Court to implement as soon as possible Parliament’s request for a specific independent annual report on the Union Institutions; welcomes the reflection of the Court on this regard and hope this will be reflected in the Court’s strategy for the 2021-2025 period;

56. Regrets that the Court does not qualify the impact of the corrective measures on the overall level of error, but only on specific headings; points out that specific information on all MFF headings would be highly valuable information for the discharge authority's scrutiny; asks the Court to qualify the impact of the corrective measures on the overall level of error;

57. Draws attention to the fact that the general estimate of the level of error in the Union budget, as presented in the Court’s Statement of Assurance, is neither a measure of fraud nor of inefficiency or waste, but it is an estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations; notes that in 2019 the Court reported to OLAF 9 instances of suspected fraud found during its audits (also 9 in 2018), from which OLAF has opened 5 investigations and decided not to open an investigation in 4 cases;

58. Points to the fact that, as in previous years, eligibility errors (namely ineligible costs in costs claims and ineligible projects, activities or beneficiaries) in reimbursement-based payments, where expenditure is often subject to complex rules, were again the main contributors to the 2019 estimated level of error for high-risk expenditure at 74 % (compared to 68 % in 2018);

59. Welcomes the Court decision to raise the share of high risk expenditures in its sample, which are materially affected by an ever increasing error rate (4,9 % in 2019, versus 4,5 % in 2018 3,7 % in 2017); regrets that the error rate is not clearly quantified for the entitlement payments;

60. Regrets that the information and reports the Commission receives from Member States’ authorities often lack the data on concrete results or include too optimistic assessments; takes note of the Court’s observation that the Commission’s particular role, as reflected in its methodology, and weaknesses in ex-post checks, which are a critical part of the control system, affects the Commission’s estimates of errors;

61. Is very concerned that the errors detected are indicative of shortcomings regarding the

regularity of expenditure declared by the managing authorities;

Budgetary and financial management

62. Notes that in 2019 the commitment appropriations available in the final budget were almost fully used (at a rate of 99,4 %), while the rate of use for payment appropriations was slightly lower (98,5 %);

63. Notes the adoption of three amending budgets in 2019, adding EUR 0,4 billion to commitment appropriations and EUR 0,3 billion to payment appropriations, which refer to the following:

    (i) Amending Budget (AB) No1/2019 entered the surplus of EUR 1 802 988 329, resulting from the implementation of the budget year 2018, as revenue in the 2019 budget; this amount has reduced the annual GNI contributions for Member States;

    (ii) Amending Budget (AB) No 2/2019 provided an additional EUR 100 million of commitment appropriations to Horizon2020 and Erasmus+ as decided by the European Parliament and the Council in their agreement on the budget 2019;

    (iii) Amending Budget (AB) No 3/2019 entered the necessary commitment and payment appropriations for the mobilisation of the European Union Solidarity Fund (EUSF) amounting to EUR 293 551 794 which aimed to provide assistance to Romania, Italy and Austria following natural disasters that took place in these Member States in the course of 2018;

64. Acknowledges that, given the multi-annual nature of its expenditure and of its control strategies, the Commission may apply corrections until the closure of the funding programme; notes furthermore that while errors may be detected in a given year, they are corrected in the current or in subsequent years after the payment was made – up until the moment of closure; calls therefore on the Commission and Member States to continue exercising their corrective capacity, and the Commission to use the supervisory tools at its disposal, in line with its obligations under the different sectoral legal bases, in order to bring the real risk at closure ultimately well below 2% and closer to 0%;

65. Notes that in 2019 the corrective measures confirmed by the Commission amounted to EUR 1,5 billion (25 % higher than in 2018), relating mainly to errors affecting payments made in previous years.

66. Is deeply concerned at the fact that outstanding commitments have continued to grow, reaching EUR 298,0 billion at the end of 2019 (compared to EUR 281,2 billion in 2018); notes that the Court has identified the reasons for the continuing rise, such as the overall increase in the size of the Union budget over time; notes that the level of payment appropriations in the annual budgets has been noticeably lower than the MFF ceiling in recent years, which might lead to higher demands for payments in 2022 and 2023 and pose a serious risk to the liquidity of the Union budget; notes the commitment of the Commission to conduct a thorough analysis of the payment appropriations needed until the end of the year during the global transfer exercise in order to make a proposal to the budgetary authority if reinforcements are needed; calls on the Commission to reduce current and prevent further outstanding commitments, to further

improve its financial forecasts and, where necessary, to assist countries to find eligible projects, especially those with clear European added-value, in order to accelerate the absorption rate;

67. Notes with concern that according to the Court, the overall absorption rate of ESIF (European Structural Investment Funds) was lower than in the corresponding year of the previous MFF, as by the end of 2019, out of the total ESIF allocations for the current MFF (EUR 465 billion), only 40 % had been paid out to Member States (compared with 46 % by the end of 2012); notes the Commission's explanation that the slower absorption rate is partly related to the late adoption of the Common Provisions Regulation (CPR), the time needed for authorities to set up an effective delivery programme and compliance systems, and the changes introduced in the regulations in the 2014-2020 programming period, such as the high level of annual prefinancing and the new rule for automatic decommitments (n+3); notes that overall the speed of absorption in 2019 stayed almost exactly the same as in 2018; is concerned by the low level of absorption rates;

68. Recalls that the absorption rate expresses the extent to which Union funds allocated to Member States have been spent on eligible projects, which is one of the preconditions and indications of effective future absorption; stresses, in this regards, that since the end of 2018 the project selection rate remains ahead of the same reference period in 2007-2013; emphasises, furthermore, that by end June 2020, nearly all (99,2 %) the EUR 350 billion in total cost were allocated to nearly 515 000 projects;

69. Regrets that greater technical assistance is not being put in place to increase the absorption rate in many States and also make it possible to reduce the backlog of outstanding commitments (RAL);

70. Notes that by the start of 2019, after the current MFF had been in place for five years, approximately 17 % only of the total ESI funding committed through Financial Instruments under Shared Management (FISMs) had reached its final recipient; notes, however, that by mid-September 2020 the 42 % of amounts allocated to financial instruments were made available for investments and, furthermore, that 59 % of the available capital for FISMs had reached final recipients; recalls here the repeated scepticism expressed by Parliament over the strong support from the Commission for the financial instruments;

71. Regrets that the annual report for 2019 on the FISMs was published after the deadline defined in the relevant Regulation[1]; shares the view of the Court that the relevance of the Commission's reporting on FISMs is reduced because its annual report on FISMs is published too late;

72. Is concerned that, as in previous years, substantial amounts of unused annual ESIF pre-financing, due mainly to delays in implementation, was returned to the Union budget (EUR 7,7 billion in 2019), as assigned revenue; points out that EUR 5,0 billion of that amount was used to make payments on claims from Member States over and above the approved budget for the year under the relevant ESIF budget lines, which has prevented

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[1] Article 46 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (OJ L 347, 20.12.2013, p. 320)

them from being cancelled;

73. Acknowledges that shared management is instrumental for the implementation of the ESIF which in turn relies upon an efficient administrative collaboration between the Commission and the Member States; underlines the Court's observation that the risk of error is high for expenditure subject to complex rules; welcomes the substantial improvements in this regard over the last ten years due inter alia to the Commission's efforts and the recommendations of both the Court and Parliament; encourages the Commission to move towards simplification and performance orientation;

74. Stresses the fact that the main financial risks to which the Union budget was exposed in 2019 were associated with financial operations in form of loans covered directly by the Union budget (53,7 %), and financial operations covered by an Union guarantee fund (46,3 %); observes with regret that the amount of total risk reported by the Commission does not include EFSI related operations, therefore it does not reflect the real financial exposition of the Union budget; highlights, that, when adding the possible future payments relating to the EFSI (European Fund for Strategic Investments) guarantee, the amount of the total risk borne by the Union budget reached EUR 90,5 billion by the end of 2019;

75. Points out that the Union has increasingly made use of financial instruments and budgetary guarantees provided to the EIB Group; recalls that at present, EIB Group operations that are not financed by the Union budget, but which serve the same Union objectives, do not come under the Court's audit mandate; points out that this means that the Court is unable to provide a complete overview of the links between EIB Group operations and the Union budget; requests that a Memorandum of Understanding be agreed between the EIB and Parliament to improve Parliament's access to EIB documents and data related to strategic orientation and financing policies in order to strengthen the Bank's accountability;

76. Recalls that Art. 287 (3) TFEU defines the Court's audit powers in relation to the EIB; recalls that the Court is competent to audit the EIB's activity in managing Union expenditure and revenue; recalls that the Audit Committee is competent to audit the EIB's share capital according to Art. 12 of Protocol 5 (Statute of the EIB); recalls that Art 308 (3) TFEU allows the Council to amend the Protocol on the Statute of the EIB by simple decision without a full Treaty revision; emphasises the increased importance under the new MFF of Union guarantees and other financial instruments managed by the EIB; calls therefore on the Council to amend Art. 12 of Protocol 5 to give the Court a role in auditing the EIB's share capital; notes that the current tripartite agreement between the Commission, the EIB and the Court concerning audits of operations which are financed or backed by the Union budget expired in 2020; strongly calls on the Commission, the Court and the EIB to enhance the role of the Court and further strengthen its auditing powers regarding activities of the EIB in the renewal of the tripartite agreement governing the rules of engagement; supports the request made by the Court to audit the EIB's non-Union budget related operations; and calls on the Court to draw up recommendations on the results of the EIB's external lending activities;

77. Notes that monetary policy brought about a fall in the long-term interest rate used to value employee benefit obligations (discount rate), which became negative for the first time, leading to a significant increase of EUR 17,2 billion in the year-end liability of the Union budget; expects this trend to continue as the ECB further pursues its course of

accommodative monetary policies and asks that proper precaution be taken;

78. Stresses the importance of strictly monitoring the possible risk of corruption and fraud in connection with large-scale infrastructural projects; calls for thorough and independent ex-ante and ex-post assessments of projects to be financed;

79. Urges the Commission to encourage Member States to improve both the quality and number of controls and to share best practices in combating fraud;

Recommendations

80. Calls on Commission to:

- closely follow payment needs, prepare possible scenarios with concrete solutions keeping in mind that the Union is not allowed to run on budgetary deficit and take action, within its institutional remit, with a view to ensuring the availability of payment appropriations taking into account the risk of insufficient payment appropriations and the extraordinary needs arising from the COVID-19 pandemic;

- continue producing an annual report on the FISMs, including at the level of individual financial instruments, in the next MFF;

- present a complete picture of the exposure of the Union budget in the annual 'Report on guarantees covered by the general budget', including the risk generated by the EFSI guarantee as well as by all future related financial operations;

- re-assess, in the context of the COVID-19 crisis, whether the existing mechanisms to mitigate the exposure of the Union budget to risk are sufficient and appropriate and review the target provisioning rates of the guarantee funds covering the guarantees granted from the Union budget;

- present annual reports on how persistent low, ultra-low and negative interest rates could affect the Union budget;

81. Requests the Council together with the European Parliament to:

- call on the EIB to enable the Court each year to audit the regularity as well as the performance aspects of financing activity which does not fall under a specific Union mandate. This could be ensured in parallel with the renewal of the tripartite agreement;

Performance of the Union budget

82. Welcomes the Court's first separate and full report on the performance of the Union budget – Status at the end of 2019 and encourages the Court to continue to produce and develop this report further in the coming years; reiterates its opinion that a stronger focus on performance is needed without reducing current levels of scrutiny on compliance and conformity; emphasises that performance findings should not lead to generalisations but rather country-specific recommendations; notes that appropriate risk analyses and recommendations for action to Union policymakers are an important basis for political decision-making; considers that the indicators should evaluate the success

of particular activities in a descriptive and objective manner without expressing any policy preferences; calls on the Court to focus the performance assessments on achieving European added value and an efficient use of Union tax money;

83. Stresses that the aim of performance information is to provide an indication as to whether Union policies and programmes are achieving their objectives efficiently and effectively; suggests that, if improvements are needed, performance information should be used to inform the process of designing necessary corrective measures, and their implementation be continuously monitored; underlines that the performance of Union funds and policies is very difficult to measure and requires different definitions and targeted indicators for the various spending areas and funds; is of the opinion that key performance indicators should measure comprehensively the results of programmes using an analytical method without indicating policy preferences; agrees with the findings of the Court that overall indicators need to be further improved and a better balance found between input and output, and result and impact indicators; asks the Commission to streamline performance reporting by reducing the number of objectives and indicators to a smaller set of relevant and appropriate outcome and impact indicators which best measure the results achieved in terms of efficiency, economy and effectiveness and Union added value of Union spending;

84. Underlines that the Court finds that the Commission has satisfactory procedures for the production of its annual management and performance report and programmes performance overview; agrees with the Court that the Commission should continue to report on programme performance after the end of an MFF period for at least as long as substantial amounts of payments related to a given MFF period are being made;

85. Welcomes the Court's observation that the Commission has started making systemic performance assessments and analysis leading to conclusions on the achieving of the programmes' objectives; notes with satisfaction that the Court considers this as a significant positive step towards clearer, more transparent and comprehensive annual reporting on programme performance;

86. Strongly encourages the Commission to continue to improve the reliability and accessibility of performance information as a vital tool for assessing the success of programmes; this should include the dissemination of lessons learnt from the Regulatory Scrutiny Board, especially those concerning design and methodology;

87. Is concerned about the Court's assessment that the monitoring data from Member States, on which the Commission AMPR and the programmes statements are based, is not fully reliable;

88. Strongly supports the recommendation that the Commission should improve explanations concerning the determination of targets and supporting data. Targets should be specific and ambitious, but realistic and at the same time measurable on the basis of reliable data. Emphasises, at the same time, that result and impact indicators are better suited for performance measurement and allow for a broader impact assessment than input and output indicators;

89. Welcomes the fact that the Commission documents the indicator data as well as the indicator baselines, milestones and targets that measure progress on programmes' general and specific objectives in the Annual Programme Statements; calls on the

Commission to ensure that these indicator baselines, milestones and targets that could not have been accomplished without EU-funding and which represent EU added value concentrate on achieving such EU added value;

90. Calls on the Commission to include in its performance reports greater analysis of the effectiveness and economy (cost-effectiveness) of programmes when information becomes available, more systematic analysis of the significant external factors affecting programme performance; clear assessments of all the performance indicators reported on as regards whether they are on track to meet their targets; clear and balanced assessments of performance, covering all programme objectives in appropriate detail; urges the Commission to take these measures for the next discharge 2020 due to all programmes adopted in the context of the COVID-19 crisis;

91. Underlines that according to the Financial Regulation, sound financial management implies effectiveness, efficiency and economy, and that the Commission and the Member States should ensure a focus on all three elements; further notes that the International Audit Guidelines on performance now also include elements such as Equality, Environment and Ethics, and calls on the Commission to broaden its assessments by also looking into these areas;

92. Notes that the Court assessed whether programmes in all main areas of the EU budget were “on track” to meet their objectives:

93. Competitiveness: Welcomes the fact that, for the EU’s Horizon 2020 research programme, there are no indications that performance is at risk, and examples of successful projects are plentiful; welcomes the fact that, according to the Court, the programme provides Union added value through its uniqueness and pan-European character;

94. Cohesion: Regrets that although the Commission and Member States had already revised the initial 2014-2020 targets, just over a third of indicators for the European Regional Development Fund (ERDF) and Cohesion Fund (CF) show timely progress. Before the outbreak of the COVID-19 crisis, most employment and education targets were likely to have been met by 2020,but progress on R&D, poverty and social inclusion lagged behind; regrets that in this policy area, the Commission’s own performance data indicates that the programmes fall short of initial expectations;

95. Natural resources: Regrets that a key weakness is that the performance indicators for the 2014-2020 period are not based on a detailed intervention logic for providing CAP financial support. For example, direct payments to farmers have reduced farmers’ income volatility, but they are not targeted at helping farmers achieve a fair standard of living; regrets that CAP measures are found to have an insufficient impact in addressing climate change;

96. Security and citizenship: Notes that the Commission’s reporting does not indicate whether the Asylum, Migration and Integration Fund is progressing well towards its objective, but the information available points to its relevance and Union added value; notes that for integration and legal migration, indicators show its achievements in a positive light, also because long-term impacts (such as differences between migrants’ and Union nationals’ job prospects) cannot yet be assessed;

97. Global Europe: Notes that the Commission does not provide enough information for a robust performance assessment of two funding instruments, i.e. one for cooperation with developing countries and the other for relations with the Union's southern and eastern neighbours; welcomes that the indicators nevertheless reveal a positive trend for poverty reduction, education, gender equality and human development, and expresses its concern about the worsening trend for consolidating democracy, rule of law and political stability;

Annual management and performance report

98. Notes that, according to the Commission, the total amount of commitment appropriations implemented in 2019 amounted to EUR 161 billion: with EUR 81 billion allocated to Heading 1, split between Heading 1a 'Competitiveness for growth and jobs' (14 % of the total budget) and Heading 1b 'Economic, social and territorial cohesion' (35 % of the total budget), EUR 59 billion to Heading 2 'Sustainable growth: natural resources' (37 % of the total budget), EUR 4 billion to Heading 3 'Security and citizenship', EUR 12 billion to Heading 4 'Global Europe', and EUR 6 billion on the Commission's 'administrative expenditure' under Heading 5;

99. Notes that Commission reported in its 2019 AMPR a risk at payment of 2,1 %, which is within the range of the Court's estimated level of error; notes that for the three most significant spending areas (MFF Heading 1a:competiveness; 1b: economy, social and territorial cohesion and Heading 2: natural resources), the Commission's own estimates of the level of error are within the Court's ranges;

100. Notes that in 2019, the expenditure from the Union budget amounted to EUR 147 billion, distributed over more than 240 000 payments; points out that 71 % of the budget was implemented under shared management, and the remainder was either spent directly by the Commission (22 %) or indirectly in cooperation with entrusted entities (7 %);

101. Notes the Commission's estimate that, in 2019, climate-related expenditure amounted to EUR 35 billion, equal to 21 % of the Union budget, and that cumulatively over the 2014-2020 period the Union budget will have contributed EUR 211 billion, equal to 19,8 % of total spending, to climate objectives, which falls slightly short of the initial target of 20 % due to lower contributions during the first years of the period; calls on the Commission to do its best to boost climate-related expenditure for the 2014-2020 period with a view to a much more ambitious targets for the 2021 –2028 period;

102. Notes that 11 of the Commission's 50 directors-general issued a qualified declaration in their Annual Activity Reports for 2019, with a total of 18 reservations (compared to 40 reservations by 20 departments in 2018); points out that for 17 reservations, the Commission applied a new 'de minimis' rule, and that these reservations were no longer considered meaningful by the Commission;

103. Notes that, according to the Commission, the corrective measures confirmed amounted to EUR 1,5 billion in 2019 (25 % higher than in 2018); points to the fact that some Member States have seen much more substantive correction amounts than others; calls on the Commission to adopt its audit sample to include these countries in their regular checks on a more frequent basis;

104. Observes that, for 2019, the Commission's estimate for the overall risk at closure was at 0,7 % (compared to 0,8 % in 2018) of the relevant expenditure; notes that due to the higher risk at payment in relation to cohesion spending, the overall risk at payment estimated by the Commission was higher than in previous years, at 2,1 % for 2019 (compared to 1,7 % in 2018), but as the estimated future corrections were also higher (1,4 %, compared to 0,9 % in 2018), the Commission arrived at a stable risk at closure, and with an estimate of risk at closure of less than 2 %, the Commission considered that its multiannual control systems ensured effective protection of the Union budget; points out furthermore that in the Commission's own estimate, the expenditure with risk at payment above the materiality threshold was very high at EUR 67 billion;

105. Observes that the Commission considered that its multiannual control systems ensured effective protection of the Union budget; notes that the Commission subdivides its portfolio for 2019 into lower-risk and higher-risk strata, using criteria recognised also by the Court and related to the nature of the funding, notably the difference between rather complex reimbursement-based schemes (higher risk expenditure with risk at payment above 2 %) and less error-prone entitlement-based payments (lower risk expenditure with risk at payment below 2 %); points out furthermore that the Commission estimates that the higher risk expenditure stands at EUR 67 billion (46 %), thus affecting a smaller part of the budget than the lower risk expenditure, which stands at EUR 80 billion (54 %); urges the Commission to adopt an ambitious action plan with measures allowing the significantly lowering of these risks;

106. Requests the Commission make sure that the AMPR is fully reliable and not based on projections;

107. Regrets in particular that the Court had to report again concerns about the reliability of the AMPR in the Cohesion areas, because of shortcomings of the audit authorities work and the issues identified regarding the residual error rates reported in the DG EMPL and DG REGIO AARs;

108. Expresses disagreement with the Commission's evaluation of its methodology in calculating the error rate; despite acknowledging that the risks at payments used in the AMPR by the Commission is the closest to the Court's estimate of level of error, it is to be noted that important elements mean that the error rate by the Court and the Commission hugely differs; therefore reiterates its request to quickly align its methodology to the one used by the Court and to provide the budgetary control authority with only one error rate corresponding to the risk at payment (error rate at payment); calls on the Commission to disclose separately an estimate of the future corrections (residual error rate); urges the Commission to apply a coherent terminology across all DGs when reporting on these two estimates;

109. Calls on the Commission to take the necessary measures to obtain reliable data from the Member States concerning the error rate at payment; calls on the Commission to make appropriate adjustments in a timely manner if deficiencies are detected in Member States' controls;

110. Observes with concern that, with regard to the Commission's own estimate of risk at payment, the Court has highlighted certain issues presented in the text below for specific MFF headings and urges the Commission to respond to these findings with concrete actions:

– ‘Competitiveness’: ex-post audits did not mainly cover payments or clearings made in the statement of assurance year under review, and were not always found to be reliable;

– ‘Natural resources’: the Member State control reflected in the control statistics did not capture all errors, and adjustments by the Commission were necessary, while the Commission adjustments were generally based on flat rates, and there were limitations in the reliability of the results of the certification bodies’ work;

– ‘Cohesion’: the audit authorities’ checks were not always reliable;

– ‘Global Europe’: there was an insufficient number of on-the-spot checks in the countries where projects are implemented, insufficient coverage of relevant aspects of procurement procedures, a broad scope for estimating the impact of individual errors, and a lack of substantive own-testing for transactions already checked by others; calls on the Court to improve number of random checks with a risk-based approach so that its reports on error rates pay more attention to areas where problems are most likely to arise;

111. Notes the Court’s conclusion that the Commission's performance reporting is becoming more balanced and that both the AMPR and the programme statements complement their reporting on programme achievements including information on lagging behind areas and persisting challenges for programmes;

112. Encourages the Commission and the Court to accelerate the discharge process to N+1;

113. Calls on the Commission to continue promoting a better gender balance and gender budgeting approach in the allocated funds;

Revenue

114. Notes that total revenue for 2019 amounted to EUR 163,9 billion;

115. Recalls that most revenue (88 %) comes from the three categories of own resources:

– Gross national income-based (GNI-based) own resource account for 64 % of Union revenue, balancing the Union budget after revenue from all other sources has been calculated (each Member State contributes proportionally, according to its GNI);

– Traditional own resources (TOR) account for 13 % of Union revenue, comprising customs duties on imports collected by the Member States (the Union budget receives 80 % of the total amount, Member States retain the remaining 20 % to cover collection costs);

– Value added tax-based (VAT-based) own resource accounts for 11 % of Union revenue (contributions under this own resource are calculated using a uniform rate applied to Member States’ harmonised VAT assessment bases);

116. Welcomes that the Commission’s work on the Union’s financial programming and budget initiated before and throughout 2019 led to the introduction of a legally binding timetable, of new Union-wide streams of revenue, or ‘own resources’ intended to repay

common European borrowing; recalls the predominance of the Gross National Incomes (GNI) contributions in the Union budget; stresses that new own resources come at a reduction of the share of national GNI-based contributions in the financing of the Union's annual budget and do not therefore contribute to an overall increase of the Union budget; urges the Commission to propose a diversification of its revenue sources to ensure the Union becomes truly independent vis-a-vis Member States' contributions while significantly increasing the budget for Union programmes;

117. Notes that revenue also includes amounts received from other sources (the most significant being contributions and refunds connected with Union agreements and programmes (8 % of Union revenue), such as revenue relating to the clearance of the EAGF and EAFRD, and the participation of non-Union countries in research programmes);

118. Welcome the Court decision to assess Union action taken to reduce the custom gap, which may affect the amounts of duties established by Member States, and mitigate the risk that TOR are not complete, within the examination of internal control systems

119. Is concerned about weaknesses identified by the Court in the Member States' collection of TOR, in particular in the management of established duties not yet collected by national authorities; notes that in the Member States visited by the Court there are particular delays in notifying customs debts, late enforcement of the recovery of such debts, and insufficient documentation to confirm the correctness of duties booked in the accounts;

120. Takes note of shortcomings in the Member States' management of duties not yet collected, as reported in 15 of the 27 TOR inspection reports issued in 2019 by the Commission; is of the opinion that the findings in 10 of these 15 reports that were classified as systematic in nature should be made available to the members of Parliament's appropriate committees;

121. Notes with concern that the Commission's TOR inspections and the Court's work highlighted two main weaknesses in Member State's controls to reduce the custom gap; points to the considerable loss of Union revenue and urges the Commission and the Council to address these issues with great urgency:

- lack of Union-wide harmonisation of the performance of customs controls for mitigating the risk of undervalued imports throughout the Customs Union, and

- inability of Member States to identify the riskiest economic operators at Union level for post-release audits;

122. Notes, with concern that in its examination of internal control systems both within the Commission and in the Member States, the Court found shortcomings in individual categories of own resources; is concerned that, according to the Commission's assessment, 24 of the 28 Member States had partially satisfactory or unsatisfactory control strategies for targeting the undervaluation risks, leading the Court to identify important weaknesses in Member States' controls to reduce the customs gap;

123. Points with great concern to the fact that action to identify and select the riskiest importers for post-release audits is limited across the Customs Union because there is

no Union-wide accessible database covering all imports effected by economic operators;

124. Acknowledges, however, that the Commission has made important steps to help identifying the riskiest economic operators at Union level for post-release audits, with the flagging of transactions considered to pose financial risk under the Financial Risk Criteria and the update of the Customs Audit Guide;

125. Welcomes that the Commission works closely with Member States to find solutions to identify importers operating in Member States other than where they are headquartered; calls on it to make further progress once a Union-wide database covering all imports is fully available.

126. Notes that of the total VAT reservations that had kept the VAT base calculation open for a period dating back 10 or more years and total TOR points that had remained open for more than five years from the time of the Commission's inspection, only 15 % of VAT reservations and 34 % of TOR open points were long-outstanding;

127. Points out that of eight long-outstanding VAT reservations set by the Commission and examined by the Court, five of them were related to infringement procedures against Member States on the grounds of possible non-compliance with the VAT Directive;

128. Notes with satisfaction that the Commission is improving its risk assessment for the planning of the inspections and continues to strive to close long outstanding open points rapidly, depending also on Member States' cooperation;

129. Notes with concern that 54 long-outstanding TOR open points verified by the Court out of 122 revealed that the Commission's follow-up and closing of such points took excessive time, showing weaknesses in the follow-up of TOR shortcomings detected in Member States; urges the Commission to establish a follow-up system prioritising TOR open points according to significance (either in terms of financial impact, or of systemic significance in the case of non-financial shortcomings) and report back to the discharge authority;

130. Recalls that within the GNI multiannual verification cycle, the Commission examines whether the procedures Member States use to compile their national accounts comply with ESA 2010, and whether GNI data are comparable, reliable and exhaustive; takes note that the closure of the verification cycle gave rise to new, more specific reservations, such as a reservation allowing the GNI data of all Member States to be revised to incorporate a more accurate estimation of the research and development (R&D) assets of multinational companies, an estimation that is complicated by globalisation and the fact that such assets are easily shifted across borders (the Commission, together with Member States, will continue up until September 2022 to assess whether the R&D assets of multinational companies are properly valued in the Member States' national accounts);

131. Is deeply concerned by the non-quantifiable reservation maintained for 2019 by DG BUDG, stating that the undervaluation fraud partly moved to other Member States, affecting the collection of TOR to an extent pending final quantification; notes that the Commission has carried out inspections on undervaluation in all Member States and checked how Member States are organised to address issues of undervaluation,

particularly concerning textiles and shoes from China; notes that the Member Sates' financial responsibility for losses of TOR has been explicitly addressed during these inspections and the corresponding reports; notes that the Commission will follow up and hold Member States financially responsible for TOR any potential losses incurred; is concerned that provisional calculations indicate that the TOR losses in 2019 would reach 1 % of the 2019 TOR justifying a reservation in the 2019 AAR; asks the Commission to promptly inform the discharge authority about the findings and consequences of its inspections and quantification calculations once finalised;

132. Notes that, for the fourth year in a row, the directorate-general for Budgets (DG BUDG) issued a reservation on the value of TOR collected by the United Kingdom, due to that country's failure to make available to the Union budget evaded customs duties on textiles and footwear imports, while the scope of undervaluation fraud had extended further to Member States, which results in further potential TOR losses;

133. Notes that according the 2019 AAR by DG BUDG, UK has as of 12 October 2017 started implementing the measures recommended by the Commission, which led to a dramatic reduction of TOR losses in 2018 (error rate below 1 %);

134. Deplores the fact that the UK still refuses to make available to the EU budget the TOR amounts lost during the period 2011 - 2017 amounting to EUR 2,679 billion (gross); notes that the UK authorities provided the Commission with a formal reply received on 11 February 2019; notes that after analysing the UK's reply, the Commission referred the case to the CJEU on 7 March 2019; notes that the UK lodged its defence on 24 June 2019, followed by the Commission's reply on 29 August 2019 and a rejoinder by the UK of 20 December 2019; notes, from the written answers of the Commission for the hearing in CONT on 11 January 2021, that the oral hearing took place on 8 December 2020 and while the date of the final judgment is fully under the discretion of the Court, the Commission does not expect a ruling before summer 2021; notes with satisfaction that the UK's withdrawal from the Union has no adverse effect on the recovery of the claimed amounts as they relate to imports before the end of the transition period;

135. Notes that, according to the Commission, in 2019 there were EUR 3 billion higher Gross National Income (GNI) based revenue following adjustments made for past amounts (mostly for 2012-2017) as GNI bases were updated with real data;

Recommendations

136. Calls on the Commission to:

- provide Member States with regular support in selecting the riskiest importers for post-release audits by:
    a. collecting and analysing relevant import data at Union level, and sharing the results of its analysis with Member States;
    b. once Surveillance III becomes operational, providing guidance on how to carry out data analysis within this new system;
- revise its procedures by:
    a. establishing a system for monitoring TOR open points based on

quantitative and qualitative criteria that rank shortcomings detected in Member States in order of priority;

b. setting deadlines for Member States to address such shortcomings, and for follow-up actions, including the calculation of late-payment interest and the recovery of amounts to be made available to the Union budget;

c. simplifying the procedure, including the documentation required for access to funding, without neglecting the principles of audit and monitoring;

Competitiveness for growth and jobs

137. Notes that payments for sub-heading 1a 'Competitiveness for growth and jobs' amounted to EUR 21,7 billion and were disbursed through the following programmes and policies:

- 'Research', up to 55,2 % of the sub-heading budget or EUR 11,9 billion;
- 'Education, Training, Youth and Sport', up to 13,2 % of the sub-heading budget or EUR 2,8 billion;
- 'Transport and energy', up to 11,3 % of the sub-heading budget or EUR 2,5 billion;
- 'Space', up to 7,6 % of the sub-heading budget or EUR 1,7 billion;
- 'Other actions and programmes', up to 12,7 % of the sub-heading budget or EUR 2,8 billion;

138. Notes that the principal Commission programmes are Horizon 2020 (H2020) and the Seventh Framework Programme for Research and Technological Development (FP7)[1] for research and innovation, Erasmus+ for education, training, youth and sport, Galileo, EGNOS, ITER and CEF as large infrastructure projects, EFSI as guarantee fund;

139. Takes into account that most spending on these programmes is directly managed by the Commission, including through Executive Agencies, and takes the form of grants to public or private beneficiaries participating in projects; takes note that Erasmus+ expenditure is mostly managed by national agencies on behalf of the Commission (amounting to around 80 % of grants);

140. Points out that the performance of research and innovation policy is difficult to assess as there is a considerable time-lag between funding of projects and results and impacts which have yet to materialise; notes furthermore that reporting in this field is mainly focused on positive achievements instead of critical assessment of results and impact, which may not provide for a realistic picture of the performance as a whole; notes that research as a discipline involves risks as regard the results and a successful outcome cannot always be guaranteed;

141. Is concerned that a high percentage (in some Member States up to 25 %) of funds from the operational programmes destined for the support of SMEs in entrepreneurship and

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[1] For the years of 2007-2013

innovations are being paid to large companies instead. Asks the Commission to develop stronger control mechanisms regarding the declarations of applicants for EU funding, as the Supreme Audit Office found that in the period 2014 – 2020, the authorities relied solely on statutory self-declarations about ownership, size and indebtedness of the companies;

142. Notes that in 2019, EUR 4 973 million in commitment appropriations and EUR 2 725 million in payment appropriations was available for mobility and transport policies of which EUR 4 422 million in commitment appropriations and EUR 2 058 million in payment appropriations authorised for European Transport Policy (06 02) and Horizon 2020 - Research and innovation related to transport (06 03) were managed by the Innovation and Networks Executive Agency (INEA);

143. Reiterates its support for the addition of a pillar of military mobility to TEN-T policy increasing our capacities to react to emergency situations with the adoption of the Action Plan in March 2018; regrets that the proposal by the Commission and Parliament to include a new envelope dedicated to military mobility needs of EUR 6,5 billion under the CEF budget for 2021-2027 has been drastically reduced;

144. Welcomes the launch of the 2019 CEF Transport Multi-Annual Work Programme call with a budget of EUR 1,4 billion and a focus on the completion of the nine core network corridors by 2030;

145. Welcomes the launch in 2019 of the “Greening the blue” project that aims at reducing emissions and producing more efficient propulsion systems with a foldable windsail solution; notes that it was funded by the European Maritime and Fisheries Fund;

146. Recalls that, in 2019, the total available budget in commitment appropriations for the Union programmes and actions under the policy portfolio of the directorate-general for Education, Youth, Sport and Culture (DG EAC) amounted to approximatively EUR 5,66 billion (a 20 % increase compared to 2018) and considers that the results of the assessment of DG EAC’s financial management for 2019 are satisfactory overall; notes that DG EAC’s overall risk at payment for 2019 represents EUR 24,88 million out of EUR 2 147.18 million total expenditure;

147. Acknowledges that the implementation of the Erasmus+ programme in 2019 was largely successful and that most result indicators, such as the number of mobility placements, surpassed the respective targets of the Commission for that year; notes that, due to its delayed launch, low take-up among financial institutions and a lack of awareness among students, only one single Student loan guarantee facility transaction could be completed in 2019 and welcomes the decision not to include the facility in the successor Erasmus+ programme for the period beyond 31 December 2020; welcomes the 20 % increase in pupil mobility and urges that physical mobility remain the main element of the Erasmus+ programme instead of virtual mobility; stresses the importance of continuing to support vocational education and training and work-based learning as a means to enhance social inclusion;

148. Is worried about reported instances of potential beneficiaries of Union funding under the Erasmus+ programme being obliged to follow national rules that are not in line with Union principles; stresses that the Commission should monitor the situation closely and take appropriate action if necessary;

149. Points out that in 2019, numerous young people signed up to the European Solidarity Corps and were deployed, showing their great interest in getting involved in solidarity work across Europe; is concerned about the discrepancy between the number of applications (191 000) and the number of actual placements (34 500); regrets that the take-up of traineeships and jobs under the European Solidarity Corps programme has been very low, with only 72 deployments between 2018 and 2020, representing less than 1 % of total deployments; stresses the need to introduce a more balanced rate of deployments, in order to ensure that the European Solidarity Corps can truly offer a wealth of opportunities for young people;

150. Calls on the Commission and the Education, Audiovisual and Culture Executive Agency to reduce bureaucratic burden by simplifying and adapting application processes to the target audiences in order to improve the accessibility of the programmes under their management; stresses that better synergies and cooperation with DG EAC are needed to achieve a streamlined application, evaluation and management processes, which would improve the quality and variety of applications;

Court findings

151. Finds it worrying that of the 130 transactions examined, 51 (39 %) contained errors;

152. Is deeply concerned that based on the 28 errors the Court has quantified, it estimated the level of error for 2019 at 4,0 %, a considerable increase compared to 2018 when the estimated level of error was 2 %; recalls that this figure is close to the rates the Court found in 2015, 2016 and 2017;

153. Underlines that FP7 and H2020 spending remains higher-risk and the main source of errors, meanwhile the Court found quantifiable errors relating to ineligible costs in 24 of the 80 research and innovation transactions in the sample (3 out of 10 under FP7 and 21 out of 70 under H2020, representing 78 % of the Court's estimated level of error for this sub-heading in 2019);

154. Points with great concern to the fact that 60 % of errors was made up by 'ineligible direct personnel costs'; underlines that despite efforts at simplification of the rules for declaring personnel costs under H2020, their calculation remains a major source of error in the cost claims; supports the opinion of the Court that the methodology for calculating personnel costs has become more complex in some aspects under H2020 and this has increased the risk of error (of the 24 transactions affected by quantifiable errors 23 involved incorrect application of the methodology for calculating personnel costs);

155. Regrets that complex application rules and lengthy procedures are major hurdles in particular for SMEs, start-ups and first-time applicant that lack significant resources and experience with these application procedures;

156. Notes with concern that 'unlawful / discriminatory selection / award criteria' accounted for 16 % of errors, and that 'ineligible other direct costs (VAT, travel, equipment)' accounted for 15 % of errors;

157. Takes into account that in the case of other programmes and activities the Court detected quantifiable errors in 4 of the 50 transactions in the sample (the errors

concerned projects under the Erasmus+ and CEF programmes);

158. Notes with concern that the Court found weaknesses in the Commission's documentation of the audit work done, sampling consistency and reporting, as well as in the quality of the audit procedures in some of the files reviewed; points out that the Court found, inter alia, ineligible amounts that the auditors had not detected because of insufficient testing in their audit (mainly in respect of personnel costs), erroneous interpretation of the double-ceiling rule, and errors in the underlying calculation of personnel costs that had not been detected; in that connection supports the recommendations from the Court to improve the situation;

159. Draws attention to the fact that 22 of the research projects the Court audited had been conducted in currencies other than the euro, meanwhile the exchange rate applied in ten of these projects was not the one stipulated in the rules (the financial effect of such errors is not in itself material, but their frequency demonstrates a lack of awareness of the rules); calls on the Commission to work together with Member States to pay a greater attention to this issue;

160. Stresses that if the Commission made proper use of all the information at its disposal, the estimated level of error for this sub-heading would have been 1.1 percentage points lower;

161. Notes with concerns that SMEs are more error-prone than other beneficiaries since more than half the quantifiable errors found (17 out of 28) involved funding for private beneficiaries, even though the transactions in question accounted for just 42 (32 %) of the 130 transactions in the sample (SMEs made up 12 % of the sample but accounted for 21 % of the quantifiable errors); underlines that this reflects their lack of resources and familiarity with the complex eligibility rules;

162. Notes that research expenditure reimbursements based on claims submitted for costs incurred by the beneficiaries; notes that these claims are often subject to complex rules and can lead to errors as may be observed in the cases referred to by the Court;

163. Considers therefore that reducing the error rate depends on a continuous simplification effort; welcomes the Court's acknowledgement of the Commission's efforts to simplify the administrative and financial requirements of Horizon 2020;

164. Acknowledges, to this end, that in the last stages of its implementation of Horizon 2020, the Commission is making wider use of simplified cost options such as lump sum funding strengthening its communication with beneficiaries and constantly improving its control mechanisms; welcomes the fact that the Horizon Europe Programme will take these a step further, building on the experience acquired in Horizon 2020;

165. Notes the Commission's introduction of a sound system of ex-ante controls, which includes detailed automated checklists, written guidance and continuous training with the objective of reducing administrative burden allowing beneficiaries to focus on achieving their goals;

166. Regrets the lake of concrete data on up take of projects awarded Seals of Excellence by ERDF programmes; notes that the Commission has only partial information based on voluntary reporting from managing authorities and such schemes remains at the

discretion of each county; calls on the Commission to work with the Member States under the new MFF, to improve programmes monitoring systems and to better capture this kind of information;

167. Takes note of Commission's assessment that the Connecting Europe Facility (CEF) presents a low risk of error; requests however that the Commission, together with the Court and OLAF, closely monitor the Union´s transport projects in order to prevent fraud, as public investment in infrastructure is particularly vulnerable in this regard; considers this essential also to ensure the highest safety standards for users;

168. Recalls that in its Special Report No 5/2017 ('Youth unemployment – have EU policies made a difference?'), the Court found that, while some progress had been made in implementing the Youth Guarantee, and while some results had been achieved, the situation fell short of the initial expectations raised at the launch of the Youth Guarantee;

169. Recalls that in its Special Report No 22/2018 ('Mobility under Erasmus+'), the Court found that the VET-strand in the Erasmus+ programme could be further improved as the inclusion of VET brings the programme closer to a greater variety of citizens;

170. Takes note of the Special Report No 14/2016 ('EU policy initiatives and financial support for Roma integration') according to which significant progress has been made in the last decade when it comes to Roma integration, however, obstacles still remain on the ground; regrets in this context that 'best practices' criteria contributing to successful Roma inclusion were not always applied and monitoring performance was difficult; recalls that the lack of robust and comprehensive data on Roma is a problem for evidence-based policy-making at Union and national level; deplores the fact that this situation might remain unchanged unless swift action is taken;

Recommendations

171. Calls on the Commission to:

- to further simplify rules and procedures, provide practical and pragmatic guidance, including information and training sessions, particularly for new applicants and improve its assistance for SMEs, start-ups and other first-time applicants to level the playing field among applicants with varying level of experience and resources;

- enhance its information campaign regarding H2020 funding rules on the calculation and on the declaration of personnel costs, paying specific attention to the main types of error followed by carrying out targeted checks on their compliance with the rules;

- remind all H2020 beneficiaries of the rules for the calculation and declaration of personnel costs, paying specific attention to the main types of error;

- further simplify the rules on personnel costs under the next Research Framework Programme (Horizon Europe);

- address for H2020 the observations that arose following the Court's review of the

ex post audits with regard to documentation, sampling consistency and the quality of audit procedures; as well as for the third round of contracted out audits, take appropriate measures to ensure that the auditors are fully aware of the H2020 rules, and verify the quality of their work;

– address the acute problem of geographical un-balance (concentration) of the majority of H2020 funds awarded to beneficiaries in few most-developed Member States by tackling the source of the problem in less developed countries, i.e. by supporting the research, industry - universities cooperation, universities' cooperation with governments in public policy-making, the establishment of new university programmes, academia excellence, etc.;

Performance: Horizon 2020

172. Points out that in the context of specific objective 5 'Europe's industrial leadership through research, technological development, demonstration and innovation in a number of enabling and industrial technologies' the programme statement shows that the programme is not on track to achieve its target with regard to patent applications, meanwhile the programme statement also gives information on patents awarded, which is a better measure for performance, but no targets or milestones are given;

173. Underlines that in context of the indicator for specific objective 5 'share of participating firms introducing innovations new to the company or the market' the programme statement mentions neither milestones nor a target for this indicator; therefore, it cannot be used to assess whether the programme is on track; calls on the Commission to update the programme statement so that it will include specific and measurable targets to allow for an assessment of efficiency and effectiveness;

174. Points out that in the context of specific objective 8 'improving the lifelong health and wellbeing of all' the value for the target is mentioned under the heading for the year 2020, but it should actually be understood to be attained "[...] when the last actions financed under Horizon 2020 will be finished", meanwhile the programme statement mentions that "[t]argets are for whole Societal challenges pillar (Specific objectives: 8-14) and not per each individual specific objective", thereby rendering the comparison between actual value and target value meaningless;

175. Takes note of the Court Conclusions on the Performance of Horizon 2020, in particular:

– The information available is too limited to be able to fully assess the performance of Horizon 2020 at the end of 2019; nevertheless there is no indication that performance is at risk and examples of successful projects are plentiful;

– In contrast to effectiveness, information on the programme's relevance, coherence and EU added value is available to a considerable degree. There is a strong case that Horizon 2020 is relevant, as it is addressing the needs it is supposed to address;

– The AMPR addresses the performance of Heading 1a only in a very general manner;

176. Regrets the difference in investment in research and innovation across Member States

and regrets that this means that researchers benefit to differing extents from the Horizon 2020 across Member States; recalls that this reflects the differences in national expenditure on research and development; encourages Member States to improve the governance of their national research and innovation systems, to incentivise and support the participation in international collaboration of their national research organisations; calls on the Commission to contribute to spreading excellence by encouraging collaboration between national research organisations and top European research organisations, provide technical support and create additional programmes that aim at fostering excellence;

177. Calls on the Commission to:

- better communicate with applicants and beneficiaries (establish better procedures and controls with regard to the performance of the helpdesk functions, and in particular of RES, and raise awareness of the tools through which beneficiaries can report inconsistent treatment during the application process or during the implementation of their projects; resolve the remaining technical issues affecting the Participant Portal, improve its design, navigation and search function);

- intensify testing of lump sums (to analyse and report on the outcome of the calls already launched under Horizon 2020 as soon as the first results are available; launch new pilot initiatives on a larger scale to identify the most suitable types of project, assess possible drawbacks and design appropriate remedies);

- explore greater use of two-stage proposal evaluations (to identify a greater number of topics where the use of two-stage proposal evaluations could reduce the administrative burden for unsuccessful applicants, while ensuring the shortest possible time to award a grant if speed in reaching the market is critical);

- evaluate whether the projects designed by the Commission and (co-) financed from the EU budget in relation to the 2010-2020 European Disability Strategy have fulfilled the requirements set out in the corresponding UN convention (the UNCRPD) regarding persons with disabilities with particular focus on the projects of the Horizon 2020 Program;

- ensure that during the design and implementation stages of projects, the additionally incurred costs of persons with disabilities are fully covered by the grants, and to guarantee that the adequate monitoring arrangements are in place and that their fulfilment is safeguarded;

- re-examine remuneration conditions for expert evaluators (to update the daily remuneration rate and reassess the time needed for experts to carry out reliable evaluations of project proposals);

- stabilise rules and guidance for participants (to maintain continuity in the rules for participation between Framework Programmes wherever possible; minimise adjustments to the guidance during implementation of the Framework Programme; simplify time-sheets to avoid unnecessary reporting of effort by work package ; explore the possibility of more widely accepting the usual cost accounting practices, notably for personnel costs);

– improve the quality of outsourced ex-post audits (improve its mechanisms for examining the quality of outsourced ex post audits, and speed up such audits);

– further simplify tools, administration and guidance for SMEs (in such a way that they impose a minimal burden on SMEs, and especially on start-ups without the resources and staff to deal with their complexity);

Performance: the European Fund for Strategic Investments (EFSI)

178. Recalls that the general objective of EFSI is 'Supporting growth-enhancing investments in line with Union priorities'; while the specific objective is 'Increasing the volume of EIB Group financing and investment operations in priority areas';

179. Observes that, according to the Court, EFSI is on track to reach its targets, and in particular, the main target to mobilise EUR 500 billion of investment;

180. Is concerned that the performance information available provides details on mobilised investments of approved operations, number of approved projects, multiplier effects and Member States coverage, but none of the five indicators follow-up the risk level or penetration of the key areas outlined in the general objective;

181. Points out that the indicators do not measure the progress of the specific objective as such, which is to increase EIB volumes, in particular with regard to riskier operations;

182. Recalls that EFSI had been effective in raising finance to support substantial additional investments but had overstated in some cases the extent to which EFSI had actually led to additional investment in the real economy (the evaluation of EFSI and Court's Special Report[1] have also highlighted that the entire volume of financing cannot be attributed only to EFSI);

183. Regrets that the Commission has not properly assessed the risk of a 'Dead weight' of financing in cases where the needed investment could have been financed from other sources without involvement of EFSI funds;

184. Notes that the reported estimate of investment mobilised does not take account of the fact that some EFSI operations replaced other EIB operations and Union financial instruments or the fact that a part of the EFSI support went to projects that could have been financed from other sources, albeit on different terms;

185. Stresses that according to the EIB EFSI report 2019, the bulk of EFSI transactions are so-called 'special activities', which by definition carry a higher risk than normal EIB operations (the volume of new such activities signed in 2019 was EUR 15 billion, around 25 % of total EIB lending that year, whereas the pre-EFSI level was below 10 %);

186. Underlines that the Commission independent evaluation noted that a range of new, riskier products had been introduced since EFSI was launched, for example equity and

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[1] Court's Special Report No 03/2019 'European Fund for Strategic Investments: Action needed to make EFSI a full success', paragraph 81.

risk- sharing instruments with financial intermediaries under IIW;

187. Observes that the Commission and the EIB have missed the opportunity to use the EFSI funds to further promote a shift from investments in big-scale infrastructure projects to smaller, modern, more sustainable projects while mostly trying to revamp the EU's economic growth with little consideration about the future potential of these investments; points to some good examples of such investments in smaller --scale projects the EIB supported outside the Union;

188. Take notes of the Court evaluation that EFSI reinforced some Union programme but temporary overlapped with others;

189. Is concerned about geographical distribution (at the end of 2019, the Union-15 accounted for 80 % of signed operations which exceeds their economic weight in the Union as measured by GDP and gross fixed capital formation whereas Union-13 only received 10 %, the remainder went to the 'other' category, in particular to multi-country projects);

190. Recalls the need EIB to provide clear and accessible information on the economic, social and environmental impact and added value achieved by EFSI funded projects; stresses that the additionally assessment of all EFSI-supported projects should be duly documented;

191. Calls on the Commission and EIB to:

- review the use of higher-risk EIB products under EFSI (for EFSI operations with NPBIs, the EIB should look for opportunities to increase the use of a wider variety of subordinated debt finance, where duly justified; this would help ensure that EFSI financing is complementary to the financing provided by the NPBIs; the EIB should also promote the use of appropriate risk-sharing products for all NPBIs, especially those that are currently under-represented in EFSI operations); commission a study of risks of the medium-term and long-term risk-profile of higher-risk EIB products under EFSI;

- strongly encourage complementarity between Union financial instruments and Union budgetary guarantees (in the context of the new MFF programmes, the Commission should propose that the Union financial instruments are coherent and complementary in terms of the respective policy objectives to be achieved, so as to avoid competition between instruments);

- improve the assessment of whether potential EFSI projects could have been financed from other sources, such as in the case of the so-called loss due to the 'Deadweight', (the EIB should assess at the appraisal stage of the project the likely replacement of other sources of finance. The EIB should use this information in assessing the eligibility of EFSI operations.);

- estimate better the investment mobilized (the EFSI multiplier calculation methodology developed jointly by the Commission and the EIB should take proportionate measures to the effect that cases where the EIB supports an investment both directly and indirectly through different EFSI operations are identified and corrected in a timely manner, so as to avoid double counting);

– improve the geographical spread of EFSI supported investment (the Commission and EIB should, through the EFSI Steering Board assess the root causes of the observed geographical spread and provide recommendations for actions to be taken in the remaining EFSI implementation period. The EFSI Steering Board should assess the effect of the measures taken);

Economic, social and territorial cohesion

192. Notes that payments for sub-heading 1b 'Economic, social and territorial cohesion' amounted to EUR 53,8 billion and were disbursed through the following programmes and policies:

– 'ERDF and other regional operations, up to 54.9 % of the subheading budget or EUR 29,6 billion;

– 'Cohesion Fund', up to 16,4 % of the subheading budget or EUR 8,8 billion;

– 'European Social Fund', up to 25,9 % of the subheading budget or EUR 13,9 billion;

– 'Other programmes', up 2,8 % of the subheading budget or EUR 1,5 billion;

193. Recalls the important role of the spending under MFF heading 1b "economic, social and territorial cohesion", which focuses on reducing development disparities between the different Member States and regions of the Union and strengthening all regions' competitiveness

194. Recalls that under the sub-heading Economic, social and territorial cohesion', Member States generally submit multiannual operational programmes (OPs) at the beginning of each programming period for the entire duration of an MFF; after the Commission has given approval, responsibility for implementing an OP is shared between the Commission (DG Regional and Urban Policy (DG REGIO) and DG Employment, Social Affairs and Inclusion (DG EMPL)) and the Member States;

195. Notes that preventive measures undertaken by DG REGIO in 2019 brought positive results and there was no necessity of suspending ERDF and CF payments in 2019 since the programme authorities applied the required remedial action plans on time and interruptions for 16 payments amounting EUR 1,1 billion (out of 20 amounting to EUR 1,2 billion) were waived; notes furthermore that DG REGIO was able to close 12 out of 19 warning letters for corrective measures for cases of system deficiencies due to the implementation of the necessary exit points;

196. Welcomes the positive follow up undertaken by the Commission to implement the Court's recommendation from 2018 Annual Report and the commencement of drafting of Closure Guidelines which aim to ensure that proper closure arrangements for the 2014-2020 period will be available in due time and in any case well before the closure in 2025;

197. Notes with satisfaction that, following the adoption of the new Commission Anti-Fraud Strategy on 29 April 2019, DG EMPL has performed a fraud-risk-analysis and reviewed and updated jointly with DG REGIO and DG MARE the 'Joint Anti-Fraud Strategy' as

well as its direct management anti-fraud strategy; takes note that DG EMPL has continued to contribute to the development of the risk scoring tool Arachne helping the national authorities, among others, to identify the risk of fraud;

198. Notes that the total number of on-going OLAF investigations concerning EMPL's fields of activity and all programming periods put together amounts to 20 cases related to the ESF, 1 case regarding FEAD and 2 cases related to direct expenditure at the end of 2019, the main areas of (potential) fraud in these cases being non-compliance with the principles of sound financial management, overpricing and non-respect of procurement rules and procedures;

199. Welcomes the fact that in 2019, the follow-up to 10 OLAF reports was completed, whereby through various means and forms the Union budget was protected with the recovery of almost EUR 55,3 million;

Monitoring and control systems: storing and recording of data and digitalisation of reporting

200. Recalls the interinstitutional agreement between the European Parliament and the Council; to enhance the protection of the Union budget and Next Generation EU against irregularities including fraud; calls for the introduction of standardised measures to collect, compare and aggregate information and figures on the final beneficiaries of Union funding, for the purposes of control and audit;

201. Notes that the collection of data on those ultimately benefitting, directly or indirectly, from Union funding under shared management and for projects and reforms supported by the Recovery and Resiliency Facility, including data on beneficial owners of the recipients of the funding, is necessary to ensure effective controls and audits. The rules related to the collection and processing of such data should comply with applicable data protection rules.

202. Takes note that the Court is in the process of analysing in an ongoing audit the relevance, reliability and consistency of the annual level of expenditure under 'Economic, social and territorial cohesion' which the Commission calculates as a result of its audits, and awaits the conclusions of that audit;

Court findings

203. Finds it deeply concerning that on basis of the 236 transactions examined, 29 errors had not been detected by audit authorities and 64 errors had previously been found by audit authorities and corrections applied by programme authorities (amounting to a total of EUR 334 million for both programming periods taken together), the Court estimates the level of error to be 4,4 %;

204. 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 during the next programming period;

205. Notes that the risk at closure was estimated at 1,1 % (1,3 % in 2018), and the risk at payment increased from 1,7 % in 2018 to a range between 2,2 - 3,1 % in 2019 for this expenditure area according to the Commission's Annual Management and Performance Report and in the Annual Activity Reports of the concerned directorates-general, which

is within the error range calculated by the Court;

206. Notes that for ERDF the risk at payment increased from 2 % in 2018 to a range between 2,7 - 3,8 % in 2019, and for ESF, the risk at payment was estimated in the range of 1,7 - 2,4 %; points out that the Commission found that ineligible expenditure, public procurement irregularities and audit trail issues are the main sources of audit findings and irregularities identified in this policy field;

207. Takes note that in its Annual activity report for 2019, DG EMPL reported a KPI (1,7 % residual total error rate) below the 2 % materiality threshold and that it also reported 'a maximum rate' (up to 2,4 %) which would allow the taking i into account of possible further errors in expenditure on operations that were not included in the Commission's audits; furthermore takes note that the Court considers the 'maximum rate' to be more suitable, because it takes account of the potential impact of ongoing audit work;

208. Notes that audit authorities had reported 64 quantifiable errors in the assurance/closure packages for the 236 transactions the Court sampled, these errors concerned ineligible costs (39), public procurement (24) and missing supporting documentation (one error);

209. Notes with concern that the majority of the errors are related to three main categories:

- 55 % of errors were made up by 'Ineligible projects': there were five ERDF projects, from the 2014-2020 programming period, for which aid was granted to beneficiaries or operations that did not meet the eligibility conditions set out in the applicable regulation and OPs;

- 24 % of errors were made up by 'Infringements of internal market rules' (such as infringements of state aid rules - 9 % and serious on-compliance with public procurement rules - 15 %);

- 12 % of errors were made up by 'Ineligible expenditure';

210. Notes that the Court continued to find a high number of errors in relation to public procurement, state aid rules and grant award procedures, mainly in 'Cohesion' and 'Natural resources'; notes that these errors contributed 20 % to the Court's estimated level of error for high-risk expenditure (2018: 16 %), for this reason, the Commission should identify ways to reduce errors;

211. Stresses that complex rules contribute to a higher risk of error; acknowledges the Commission's efforts to continuously work on simplifying rules and increase the use of simpler delivery mechanisms such as simplified cost options;

212. Is of the opinion that the level of error estimated by the Court 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 Court to produce a report with an estimated error rate after the closure of the 2007-2013 Cohesion Policy programmes;

213. Welcomes the fact that the Commission has elaborated a Public Procurement Action Plan, updated several times since 2014;

214. Notes with concern that the most common error affecting ESF expenditure is the absence of essential supporting documentation; notes, furthermore, that in 2019 the Court identified one ESF project that infringed the Union's state aid rules;

215. Notes with concern the Court'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 the provision of 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 Union funding should be eliminated in order to consolidate citizens' trust in Union spending and in the Union institutions;

216. Notes with concern that despite many irregularities which national audit authorities have already reported for the projects the Court examines, many errors still go undetected or uncorrected by any internal controls at an earlier stage; recommends, on the basis of the Court's findings and conclusions for 2019, that the Commission analyses the main sources of undetected errors and develops the necessary measures together with the audit authorities to improve the reliability of reported residual rates;

217. Is concerned about the weaknesses found while assessing the work of 18 out of 116 audit authorities in the Member States covered by the Court's sample, which currently limit the reliance that can be placed on that work (the recalculated rate was above the 2 % materiality threshold in nine out of 20 assurance packages for the 2014-2020 period; notes the Court observation that the Commission arrived at similar results for eight of these packages and adjusted the residual error rates to a figure above 2 %); regrets that the Court cannot include an analysis for the reasons for these persisting weaknesses in its work; regrets that neither the Commission could contribute meaningful insights on the reasons and any country-specific differences between Member States' authorities; regrets that this lack of information on the underlying reasons for these persisting, systemic weaknesses in certain national audit authorities hinders the efficient and effective addressing and solving of these problems;

218. Notes that for 120 of the sampled transactions (55 %), the Court was able draw conclusions on the basis of its review of audit authorities' work; is deeply concerned that the Court identified shortcomings with the scope, quality and/or documentation of that work in 100 transactions (45 %), which required the Court to re-perform the corresponding audit procedures;

219. Stresses that in 2019, the Commission carried out 26 compliance audits (14 by DG REGIO and 12 by DG EMPL) in 11 Member States and concluded in its draft reports on all these compliance audits that the residual error rates reported in the audit authorities' annual control reports for the 2017/2018 accounting year were underestimated (the Commission therefore increased those rates);

220. Notes that 13 of the compliance audits (5 by DG REGIO and 8 by DG EMPL) were

final by May 2020, but for half of these audits, therefore, the residual rates were not yet final;

221. Welcomes that as from 2020, the Commission intends to include, in the structured discussion with the concerned audit authorities, a detailed analysis of the additional errors found by Union audits, with recorded actions by the audit authorities to address the non-detection of these errors;

222. Shares the Court's welcoming of the Commission's and audit authorities' joint initiative and coordinated efforts to improve the documentation of audit authorities work and the elaboration of a 'Reflection paper on audit documentation' in December 2019, which, although not mandatory, represents a first step in improving the way audit authorities perform and document their work;

223. 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 the Court also considers to be a great relief for applicants and they facilitate control; shares the Court'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;

224. Notes from DG EMPL's Annual activity report for 2019 that DG EMPL had reasonable assurance and concluded that the management and control systems of the operational programmes worked as intended in 2019 with the exception of 29 ESF/YEI and 1 FEAD programmes which presented material deficiencies of some key elements of the systems;

225. Notes with satisfaction, from DG EMPL's Annual activity report 2019, that DG EMPL has undertaken the necessary follow-up actions in relation to all Statement of Assurance 2015-2018 recommendations reported by the Court, and that by the end of March 2020, there were no open Court recommendations;

226. Points out that in practice, most of the reservations stated in the 2019 AARs were mainly based on the error rates for the 2018/2019 accounts, which had not yet been accepted, therefore both DGs reported that the 2018/2019 error rates would not be confirmed before at least the 2020 AARs;

227. Believes that EU financial interests and money from all its taxpayers are being targeted by organised crime and calls on the Commission to take necessary measures against criminal networks that are laying their hands on Union funding;

228. Reiterates its dissatisfaction about the different use of methodologies by the Court and the Commission when establishing their respective opinion on the legality and

regularity of financial transactions

229. Regrets that the Commission is not respecting the deadlines set in the relevant Regulation[1] when it comes to the publication of the annual report on "Financial instruments under the ESI Funds"; reiterates Parliament's request to publish the report by October in order to include its findings in the discharge procedure; expect the Commission to respond positively to this specific request in order to increase transparency;

Court's Review 04/2020 EU action to tackle the issue of plastic waste

230. Notes that while not an audit report, this review examined the Union's approach to the issue of land-based plastic waste as set out in the 2018 Plastics Strategy;

231. Is concerned by the Court's observations that the Union's legal framework to tackle waste crime is marked by shortcomings consisting of lack of data on contaminated sites as well as on sanctions and prosecution rates, difficulties in determining which behaviour constitutes environmental crime due to legal uncertainties such as the definition of waste versus end-of-waste, failure of Union legal acts to address the growing involvement of organised criminal groups in environmental crime, which is then associated with other crimes such as money laundering, absence of harmonised Union rules on the mix of sanctions (administrative/criminal/civil), lack of specialised police forces, prosecutors' offices and judges to deal with environmental crime;

232. Notes that chemical recycling can encompass many different technologies, which are not yet a technologically or economically feasible waste treatment option while landfilling is set to be dramatically reduced; is of the opinion that recycling capacities need to be drastically increased to improve the technological and economic feasibility of recycling; is convinced that increasing the capacity of legal disposal of plastics waste for producers of plastic packaging to meet their obligation under the EPR schemes will have a positive impact on the problem of illegal waste trafficking and other waste crimes;

233. Welcomes the own resource based on non-recycled plastic packaging waste as a good instrument to incentivise Member States to improve recycling; highlights in this regard the need for proper reporting;

Serious irregularities and misuse of funds in member states

234. Regrets that the correlation between EGF cost per assisted worker and the reintegration rate is very weak or non-existent. For example, in Spain the cost/worker is 2 422,74 EUR and the reintegration rate is 48 %, while in Finland the cost is 2 289,81 per person and the rate of reintegration is 83 %. The integration rates and the costs greatly vary by Member States, however, it is impossible to conclude the higher amounts spent per capita would translate into higher reintegration rates. Asks the Commission to carefully analyse and address this discrepancy;

235. Considers that the EU Youth Guarantee falls short of expectations; calls on the

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[1] Article 46 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (OJ L 347, 20.12.2013, p. 320)

Commission to ensure that programmes designed to help young people do not raise expectations which cannot be fulfilled; insists that the Commission should manage expectations by setting realistic and achievable objectives and targets;

236. Notes that in 2019, DG EMPL issued 16 warning letters, in which significant deficiencies in the management and control system have been identified. 12 decisions to interrupt payment deadlines have been taken (4 for Italy, 3 for Hungary, 2 for the UK and France and 1 for Spain) and one decision has been taken to suspend payments (UK-Scotland);

237. Notes that significant reservations were issued for Italy (15 reservations, amounting to EUR 50.26 million) and France (9 reservations, amounting to EUR 47,95 million). In the case of Italy this was mainly due to the to a systemic deficiency in public procurements resulting from the wrong transposition of the public procurement directive by the national legislation, while in France the regional control bodies did not have enough time to finalise their audits of operations within the deadline in the case of 5 programmes;

238. Notes that the total amount of financial corrections performed for the accounting year 2018- 2019 by the Member States was EUR 3,41 billion, of which 912 million fell on Hungary, 578 million on Spain, 368 million on Slovakia and 236 million on Poland. As regards financial corrections reported cumulatively since the beginning of the period 2014-2020 by the Member States the total amount was 6,10 billion, of which 2,15 billion fell on Hungary, 668 million on Spain, 647 million on Poland and 459 million on Slovakia;

239. Notes with concern that the directorate-general for Regional and Urban Policy (DG REGIO), in its 2019 Annual Activity Report, had to issue two reservations concerning 67 programmes ERDF/CF in the 2014-2020 programming period, and 9 ERDF/CF and one IPA-CBC programmes in the 2007-2013 programming period; points out that serious deficiencies in the management and control systems led to a risk to expenditure estimated above 10 % for the Multiannual Framework 2014-2020; welcomes that the updated Financial regulation has further clarified the concept of conflicts of interest under shared management;

240. Is concerned that the directorate-general for Employment (DG EMPL), in its 2019 Annual Activity Report, had to issue a reservation concerning the ESF / Youth Employment Initiative (YEI) and Fund for European Aid to the Most Deprived(FEAD) (30 programmes in ESF / YEI and FEAD) 2014-2020 period; notes since the two DGs stated in their Annual Activity Reports that no reservations are made where the confirmed residual error rate for the previous accounting year was above 2 % because additional financial corrections would be applied in the future, the Commission's reservations are mostly based on provisional rates and might not necessarily cover all material risks;

241. Is particularly worried about reports that the Commission finalised an auditing procedure which has confirmed a serious breach of conflict of interest legislation in the Czech Republic;

242. Notes with concern reports that the DG REGIO audit report identified three grants under ERDF that breached Czech law and the EU's common provisions regulation for

the ERDF; is worried that a conflict of interest was identified in the management of the disbursement of the European Structural Funds;

243. Expects the Commission to inform Parliament and the Committee on Budgetary Control on the Czech government response to the recommendations included in the report; is appalled by the fact that more than 2 years after the start of the Commission's audits, the situation around the alleged conflict of interest of Czech Prime Minister Andrej Babiš remains unsolved; urges the Commission to strengthen its efforts to comprehensively and quickly resolve the procedure, publish the audit report as soon as possible, report back to Parliament on its conclusions and where necessary suspend and/or retrieve misused funding; recalls Parliament resolution on the conflict of interest of the Czech Prime Minister of 19 June 2020, which states that if the conflict of interest of Mr. Babis is confirmed, it should either be resolved or he should resign from public duty[1];

Recommendations

244. Calls on the Commission to:

- conduct a thorough analysis of the underlying reasons and potential structural problems causing the persisting systemic weaknesses detected by the Court in its audits every year and pay special attention to any potential country-specific differences; asks the Commission to also include observations on best practice in national authorities with low levels of errors and whose work is deemed reliable by the Court; asks the Commission to conduct this analysis in close cooperation with the Court and actively involve national authorities both regarding the problem description and potential solutions;

- share the results of this analysis with the Court, the discharge authority and Member States;

- based on this analysis, address clear, practical and readily implementable horizontal as well as country-specific recommendations to the national authorities; asks the Commission to establish a structured dialogue with the national authorities and the Court to continuously work on capacity building and exchange of best practice to improve the reliability of national audit authorities' work; keep the discharge authority informed about the progress of this dialogue;

- clarify promptly eligibility conditions (including by defining what is meant by 'physically completed' and/or 'fully implemented' operations, in order to help Member States to verify that operations comply with Article 65(6) of the CPR and avoid the non-detection of ineligible operations);

- take action to increase the reliability of the residual rates reported by audit authorities (analyse the main sources of undetected errors and develop the necessary measures together with audit authorities to improve the reliability of reported residual rates);

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1 https://www.europarl.europa.eu/doceo/document/TA-9-2020-0164_EN.html

– provide Parliament with an annual report setting out in detail the contribution of each budget item to the climate mainstreaming target and to biodiversity spending, in order to facilitate their monitoring;

– urgently start working on an effective methodology, where relevant, and in accordance with sectoral legislation, for monitoring climate spending and its performance in view of achieving an overall target of at least 30 % of the total amount of the 2021-2027 Union budget and Next Generation EU(NGEU) expenditures supporting climate objectives;

– together with the Member States, to put into use a single integrated, interoperable information and monitoring system including a single data-mining and risk-scoring tool to access and analyse the relevant data and increase control reliability, with a view to a generalised application, including with the help of the Technical Support Instrument;

– introduce a Union-wide complaints mechanism for funding recipients confronted by misconduct on the part of the national authorities or pressure from criminal networks or organisations, for example, enabling them to register complaints with the Commission;

– continue consistently and extensively cooperating with the audit authorities to ensure robust control framework, improve the quality of the assurance work when needed and ensure the necessary detection and corrective capacities;

– require managing authorities to take action to tackle the most frequent errors and mitigate any risk for future expenditure and improve, where necessary, the detection capacities of both management verifications and audits;

– provide an error rate at payments and not a residual error rate in order to improve the evaluation of the scrutiny undertaken;

– continue its cooperation with the Court in order to further align audit methodologies and interpretation of legal texts;

– pay increased attention, and allocate increased technical support, to Member States, whose management and control systems are only partially reliable, or not reliable, where there is an increased risk of fraud and corruption related to funds

– pay particular attention to framework agreements awarded through public procurement procedures, as fraud and corruption related to them represent an increased risk for the financial interests of the Union;

– reduce the backlog in commitments as swiftly as possible;

– specify in the AARs how the amounts effected by ex post financial corrections imposed by Member States and by the Commission were reused, particularly in those cases where fraud, corruption or other criminal activity was involved;

– publish the 2020 annual report on the "Financial instruments under the ESI Funds" without delay, and by October 2021 in order to allow tits findings to be

included into the discharge procedure;

– develop a strong strategy against conflicts of interest of high-level politicians; develop together with the Member States effective legal instruments to avoid fostering oligarch structures drawing on Union cohesion funds;

– inform Parliament on any further developments in the conflict of interest case reported in the DG REGIO Audit Report on Czech Republic;

– draw on the Court's observations on plastic waste for the review of Directive 2008/99/EC particularly with regards to minimum standards and clear definitions of different waste crimes;

– address the problem of the lack of capacity for recycling and incineration as a means to reduce waste crimes, such as waste trafficking by increasing capacity for legal disposal of plastic waste and its economic attractiveness for producers of plastics waste;

– improve the definition of recycling and the requirements for reporting on recycling, particularly for the own resource based on non-recycled plastic packaging waste; asks the Commission to assess the possibility for digitalising the reporting and monitoring of waste flows between operators to increase the ability to detect irregularities and indications for waste trafficking;

– analyse in close cooperation with the responsible national authorities the reasons behind the low absorption of funds available for waste management infrastructure and inform the discharge authority about the findings; inform the discharge authority about how the Commission is assisting Member States in increasing the absorption rate and explore further avenues of assistance;

– inform the discharge authority of any reallocation of cohesion funding from funds intended to support recycling and waste management to other areas as a result of the COVID-19 pandemic;

– prioritise as a matter of urgency the review of Essential Requirements for packaging in order to accelerate the adaptation of plastic packaging design and manufacturing in favour of recyclability and sustainability in time to support the achievement of the 2025 plastic packaging recycling target;

245. Asks the Commission, more generally, to implement as soon as possible all outstanding Court's recommendations, to provide specific implementation reports and, in a longer-term perspective, to take the Court's recommendations into account when implementing actions under the new ESF+ as of 2021.

246. Is astonished that there was no initiation of procedures to reduce the programme allocations through net corrections in 2019, as reported in DG REGIO 2019 AAR; calls on the Commission to systematically impose net financial corrections when the conditions set by Article 145(7) of the Common Provisions Regulation are fulfilled;

247. Invites the Commission to continue providing guidance and support, as well as to identify and share best practice with Member States;

Performance: the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

248. Recalls that the ERDF and the CF support the EU's economic, social and territorial cohesion policy (EU cohesion policy), which aims to strengthen economic and social cohesion within the EU by reducing gaps in the level of development between different regions;

249. Recalls that the ERDF covers all Member States and focuses on several key priority areas, such as innovation and research, support for small and medium-sized enterprises (SMEs) and the low-carbon economy; notes that in 2019 the Commission allocated 31,1 billion euros of the ERDF budget; recalls that the CF provides support to Member States with a gross national income (GNI) per inhabitant below 90 % of the Union average, the fund mainly finances projects related to trans-European transport networks and the environment, its budgetary allocation for 2019 was EUR 11,5 billion;

250. Notes with concern that years after the launch of the2014-2020 programming period just above one third of the 72 programme indicators for ERDF and CF were on track, even though a number of the targets had been revised downwards; recalls the recommendation to further improve the Key Performance Indicators; notes, however, that limitations in data prevent the auditors from making a comprehensive assessment of performance in this policy field, as it is difficult to assess whether the funds have met, or are likely to meet, the general and specific objectives set, even though the progress of the individual indicators can be assessed against the milestones and targets set; calls on the Commission to develop a consistent assessment framework that is able to assess whether the milestones and targets of ERDF and CF have been met;

251. Is concerned about the problems raised by the Court concerning the lack of internal controls in the Member States or the unreliability of data;

252. Based on the fact that the majority of all found errors were made up by 'Ineligible projects', stresses its serious concern on the trustfulness and the reliability of Commission's reporting on the results achieved since all these and such (yet undiscovered) projects should not in any way 'contribute' to the overall assessment of the broader results achieved with the help of Union's economic, social and territorial cohesion policy; recommends that the Commission reassesses its process of reporting on the actual results achieved;

253. Recognises the importance of digital tools such as Arachne in the fight against corruption and misuse of Union funds; calls on all Member States to implement such tools without any further undue delays; regrets that not all Member States are using the Arachne data mining tool to improve fraud detection; points out that concerning fraud, both the Commission and the Member States are responsible for addressing fraud in Cohesion spending; they need to step up their efforts to prevent and detect fraud, in cooperation with the EPPO and OLAF stresses that on top of the Arachne tool big data and other IT tools should be taken under the Commission's serious consideration not only for investigation but also for monitoring changes in tendencies and prevention of other ways of misuse of Union funds;

254. Notes that both funds are subjects to shared management by the Commission and the Member States, and are implemented through operational programmes (OPs) that are

drawn up by Member States and approved by the Commission;

255. Is pleased to see that in its first Annual Report on performance by the end of 2019 the Court gives ERDF programme performance overview as a positive example of clearly formulated conclusions on general objective; encourages DG REGIO to continue to present clear conclusions in the performance sections both for general and specific objectives, and invites other DGs to follow this good example and to improve their conclusions by making them more informative and clearer;

256. Points out that information from output and result indicators is complemented by the results of a number of evaluations and studies analysing the results of the 2007-2013 period and the early stages of programming and implementation of the 2014-2020 cohesion policy programmes; shares the observation of the Court that the delayed timing of these evaluations as designed in the legislation means that lessons learned are too late to have an impact on either the current or subsequent programming periods (the results of the 2014-2020 ex-post evaluations, for example, are expected to be available by the end of 2025 as required by the CPR, but by then the 2021-2027 programming period will be in its fifth year and the Commission is likely to be well-advanced in preparing its legislative proposals for the post-2027 period);

257. Notes with concern that, at the end of the sixth year of implementation, absorption rates for the ERDF and 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;

258**.** 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;

259. Underlines that in cohesion policy, characterised by large-scale infrastructure projects, there can be a time lag between the start of the programme, its implementation and the realisation of outputs and results; finds it worrisome that progress is also likely to be affected by the relatively low levels of implementation in respect of cohesion policy, compared to the rest of Union budget; notes that these factors, together with the fact that the latest data available (in an implementation period lasting until the end of 2023) relates to the end of 2018, are outlined by the Court as making it harder at this stage to conclude on the achievement of the objectives; calls on the Commission to reduce the time lag between the start of the programme, its implementation and the realisation of

outputs and results; notes that the supervision of network completion needs to be strengthened; urges the Commission to set up a group of experts for providing Member States with support in steering such large projects;

260. Is very concerned by media reports on one Member State about ERDF co-financed investments in infrastructure for the purpose of vocational training, where these buildings were repurposed after the minimum required period of three years; regrets allegations of fraud and personal enrichment from this repurposing; regrets that the Commission has not been able to provide additional information to dispel all remaining doubts; welcomes the intention of the Commission to properly follow-up on these allegations; considers the concept of durability as an important safeguard for the effective and efficient use of Union resources under cohesion policy;

261. Considers the legal minimum durability requirement of three to five years too short given the significant amount invested and the longevity of such projects; regrets that the co-legislators did not decide to introduce longer durability requirements during the revision of the [Common Provisions Regulation]; notes that significant differences exist across Member States in the national rules on durability of infrastructure investments and premature repurposing;

262. Is concerned about the lack of control and follow-up of the funding for entrepreneurs; calls on the Commission to develop a detailed strategy for the control of funding; and invites the Commission to assess the results of the projects funded by this financial mechanism; encourages the Commission to publish the results of its evaluation;

263. Takes note of other factors relevant to the Court analysis of performance, which explain the fact that Cohesion policy objectives, such as those relating to employment rates, economic development, and climate and energy, are heavily influenced by a wide range of national and external factors, in Europe and the world as well as that in many Member States, cohesion policy funding typically represents a small proportion of the funds dedicated to these issues, and therefore without a specially tailored national policies and programmes to work hand-in-hand with cohesion policy objectives, can have only a very limited impact on these Member States' progress towards meeting these objectives;

264. Notes furthermore the Court’s observation regarding additional factors such as that the Union has at its disposal a range of policy tools for meeting its high-level cohesion policy objectives, of which the ERDF and CF constitute one part, that other funds and legislative initiatives are also designed to address the objectives, which make it often not possible to distinguish the effects of different policy tools on the progress towards meeting targets;

265. Stresses with concern that the Court’s analysis based on scarce available data as of the end of 2018 shows that of 72 indicators in total, only one third of the indicators are on track to meet their targets and that about half of the indicators are not on track and that for the remaining indicators it was not possible for the Court to draw conclusions; regrets that of 9 indicators linked to the general objectives, only two are on track, notes, however, that of about one third of the indicators with a mid-term milestone target set for 2018 the Court concludes that 70 % have either been achieved or are likely to be achieved soon;

266. Although the ERDF and CF could still be paid out until 2023, stresses with concern that in total, 40 % of the output indicators are on track, and that for result and impact indicators, this percentage is at low 10 %;

267. Recalls that Europe 2020 is the Union's high level strategy for the period from 2010 to 2020; notes that for the 2014-2020 period, the Commission has defined nine indicators to measure progress towards achieving the objectives of this strategy, in the areas of employment, R&D, climate change and energy, education and poverty and social exclusion; notes that according to the Commission, based on 2018 data, employment and education targets are likely to be achieved, while progress against the targets for R&D, and poverty and social inclusion lag behind and are unlikely to be achieved;

268. Stresses with great concern that of all 10 indicators from the programme statements linked to the objective of supporting the shift towards a low-carbon economy in all sectors, only 1 – 'Number of households with improved energy consumption classification indicator' – is on track; demands that the Commission, also in the light of the Green Deal targets, makes improvements linked to this objective an absolute priority;

269. Highlights the fact that in response to the COVID outbreak, the Union introduced measures increasing the Member States' flexibility in using the European Structural and Investments Funds funding (for instance, the requirement to devote a fixed proportion of ESI funding to key themes was waived, however, the flexibility offered in the proposal may affect the Union's capacity to achieve the objectives originally set in the operational programmes);

270. Acknowledges that the COVID-19 crisis has provided a new and unexpected challenge to which the Union and its Member States need to respond determinedly and provide solutions at the Union and national level;

271. Welcomes the increasing financial flexibility in cohesion spending 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 SMEs, municipalities and regions, which will struggle with unemployment and healthcare in the coming months

272. Highlights the challenges that patients in the Union face in benefiting from the Directive on cross-border healthcare, as identified in the Court's Special Report No 7/2019, particularly with regard to potential patients' awareness of their rights, problems and delays in exchanging patient health data electronically between Member States and access to healthcare for patients with rare diseases;

273. Is concerned by the Court's opinion that there are strong indications that the Union will not meet the 2030 climate and energy targets; notes that according to the Commission, there was only limited progress in the reduction of the negative environmental impacts stemming from the use of natural resources; highlights the Court observation that half of the Member States were at risk of not generating enough electricity from renewable energy to meet their 2020 targets; notes that in the Court's landscape review of Union action on energy and climate change, the Court reported that the reduction in greenhouse gas emissions projected by Member States falls short of the 40 % target for 2030; calls on the Commission to re-evaluate the results due to the impact of covid-19

pandemic and the Green Deal package;

274. Is concerned that only half of the 16 indicators linked to the objective of 'Promoting sustainable transport and removing bottlenecks in key network infrastructures' are on track to meet their targets; regrets that Member States have reduced most targets for 2023 in the latest report, approved by the Commission, in some cases by considerable amounts (for example, the combined ERDF and CF target value for the indicator "Total length of new railway line" was reduced from 947 km to 579 km (39 %) and the combined ERDF and CF target value for the indicator "Total length of new or improved tram and metro lines" was reduced from 680 km to 441 km (35 %));

275. Reiterates Parliament's request for the creation of a new budgetary line for Tourism, to support this sector severely hit by the Covid-19 crisis; welcomes that the Court has launched an audit to assess tourism projects co-funded with EUR 6,4 billion in2007-2013 and EUR 4 billion so far in 2014-2020 ERDF and CF money, which will help improving Union Tourism policies;

276. Notes that by the sixth year of the current programming period 2014-2020 only around 31 % of the funds initially awarded had resulted in payments by January 2020, calling into question the full implementation of CEF; calls on Member States to significantly speed up investments and on the Commission to step up its monitoring in view of the urgent need for infrastructure investment for the speedy recovery from theCovid-19 related economic downturn;

277. Stresses once again that in this policy area all indicators are measuring output (they mainly provide data about the programme's implementation in terms of infrastructure built) instead of outcomes of projects achieved; urges the Commission to plan the policy so as to allow for a proper on-going and mid-term assessments of results and broader impacts achieved;

278. Recalls that the Court, in its 2019 audit, pointed out in particular the underuse of the CF to finance new railway lines; underlines the great importance of investing in sustainable transport networks and calls on the underperforming Member States to step up their efforts in this regard;

279. Underlines that in the recent Court audit on transport flagship infrastructures (TFI)[1] it is stated that it is unlikely that the Union core transport network will reach its full capacity by 2030, furthermore, in the landscape review the Court indicated that since the scale of Union funding is limited compared to the overall needs, it is necessary to focus on priorities with the highest Union added value;

280. Calls on the Commission to further develop its mechanism and tools enabling awareness and information to citizens and stakeholders on the tourism and transport projects it funds under the ERDF and CF;

281. Is of the opinion that, as stated in the Court's audit on TFIs, the traffic forecasts need improvement and better coordination; points out the traffic forecasts should take into

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[1] Court's Special Report No 10/2020 EU transport flagship infrastructures: no timely completion of the transport network.

account sound economic assessments, as well as cost-benefit analyses and be periodically revised to take into account possible delays; stresses that poor planning should be avoided, especially in the field of climate change and that an improvement is needed in the planning process of the Commission, particularly in the implementation of requirements in the field of environmental protection and use of resources;

282. Deplores the fact that the Commission in its legislative proposal for the ESIF for 2021-2027 removes all the appraisal requirements specific to major projects, including the cost-benefit analysis requirement. While this is recognised as bringing a reduction in the general administrative burden, this is outweighed by the increased risk that the co-financed investments will not offer the best value for money; calls strongly on the Commission to re-evaluate its proposal;

283. Welcomes the fact that the European Accessibility Act (EAA) has been finally adopted in 2019, highlights its importance as the first legislation on this matter in the Union, asks the Commission to closely monitor Member States' progress in adopting and publishing all necessary laws, regulations and administrative processes to comply with the EAA by the 28 June 2022,

284. Finds the fact that only 3 out of 9 indicators (33 %) from the programme statements linked to the ERDF specific objective –'Enhancing the competitiveness of SMEs' are on track to meet their targets represents an underperformance; highlights that these three indicators are output-related, measuring the number of businesses supported by the ERDF, meanwhile other indicators, such as those measuring whether the private investment matches public support to businesses, and the employment increase in supported businesses are not on track; urges the Commission to plan the policy so as to allow for proper on-going and mid-term assessments of results and broader impacts achieved, including assessing the impact of policies to combat long-term unemployment;

285. Notes that ERDF funding was used together with national sources of SME support, either by complementing existing national measures or by filling gaps in the support system, however, it[1] found that synergies between ERDF and ESF support were generally low, despite the importance of safeguarding employment;

286. Takes into account that in the context of the Court's Statement of Assurance audit for the year 2019, only 11 out of 121 ERDF and CF co-financed projects lead by 12 Member States had been completed; notes that 7 projects had fully, and 2 projects partially, met their objectives, while the other two projects did not meet them;

287. Notes with concern the lack of clear information on the final beneficiaries of the cohesion funds and calls on the Commission to ensure that all necessary information on its financing is gathered, and that this should not be confined to the financial intermediaries but should especially focus on the final beneficiaries;

288. Stresses the great potential of public registers of final beneficial owners introduced with the fifth Anti-Money Laundering Directive in the fight against corruption, misuse of

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1 European Commission, Ex-post evaluation of 2007-2014, Support to SMEs – Increasing Research and Innovation in SMEs and SME Development, February 2016.

Union funds and conflict of interest; calls on the Commission to ensure the data on beneficial ownership of companies is set up and made available to the public;

289. Welcomes the fact that in the framework of the preventive measures applied by the Commission, DG EMPL continues to apply a strict policy of interruption and suspension of payments to preserve the Union's financial interests; in this context, notes that for the ESF / YEI and the FEAD, 12 interruption decisions and one suspension decision were adopted in 2019, and that, in addition, 16 warning letters and five pre-suspension letters were sent to the Member States concerned;

290. Is deeply concerned by discriminatory measures taken since 2019 by various Polish local governments who adopted so-called "LGBTI-free zone" resolutions or 'Regional Charters of Family Rights' discriminating in particular against single-parent and LGBTI families; notes that these authorities receive and have influence on the management of ESI-funds; Insists on the fact that, in line with Regulation (EU) No 1303/2013, the use of Union funds must comply with the principle of non-discrimination; believes that there is a serious risk of breach of these provisions in the above-mentioned municipalities and regions; calls on the Commission to ensure that cohesion funds are disbursed in compliance with the fundamental rights enshrined in the Treaties and Charter of Fundamental Rights of the European Union, as well as the Common Provisions Regulation concerning ESI-funds; calls on the Commission to carry an investigation on the compliance of ESIF in these regions with Union law, in particular the anti-discrimination provisions, to report to the discharge authority the findings of this investigation and to make use of every tool at its disposal, including financial corrections, in case it finds clear evidence of misuse of funds on those grounds;

Performance: European Social Fund (ESF) and Youth Employment Initiative (YEI)

291. Takes note of the Commission's conclusion that with regard to the performance of the Union budget, most programmes are progressing towards the targets set at the beginning of the programming period, and despite the delays in the starting up the 2014-2020 cohesion programmes, progress is now accelerating; notes however that the Commission is able to define definite conclusions on performance only on the basis of detailed evaluations after closure of the current programmes;

292. Recalls the vital importance of the European Social Fund (ESF) and the essential role of the Youth Employment Initiative (YEI) in encouraging a high level of employment, the creation of quality jobs, education and training and the fight against poverty and social exclusion; highlights the need to provide ESF and YEI the continued financial and political support of the Union, national and regional institutions in the delivery of their targets in the years to come; takes note that for the ESF, representing 94,7 % of DG EMPL's 2019 budget, the major inherent risk relates to the complexity of the operations and activities financed, the typology and variety of recipients, and the high number of annual interventions;

293. Notes that the Court has not selected ESF and FEAD to be covered by its first annual report on performance of the Union budget at the end of 2019;

294. Welcomes the findings within the Commission Evaluation (February 2021) of the 2014-2018 ESF support to employment and labour mobility, social inclusion and education and training; notes with satisfaction that for the period 2014-2018, approximately 23

million persons participated in ESF actions and that 52 % of participants were women; notes furthermore that of those participating, nearly 3,2 million persons have already found employment and 3,9 million successfully gained a qualification;

295. Notes that by 2018 EUR 10,4 billion had been spent - from both the ESF and the YEI, that 3,8 million people under age of 30 participated in youth-employment support projects and that 1.4 million people entered employment immediately after participation;

296. Notes furthermore that by the end of 2018, EUR 33,8 billion from the ESF have been invested for social inclusion and nearly 6,2 million persons had participated in social-inclusion actions, and that out of them nearly 700,000 individuals have found employment, with nearly 400,000 achieving a qualification;

297. Expresses satisfaction that the introduction of simplified cost options under the ESF has reduced the administrative burden and facilitated implementation for both programme authorities and beneficiaries;

298. Notes that EaSI financed 44 projects through five calls for proposals for EUR 29,3 million under its 2019 work programme; takes note of the fact that in October 2019, DG EMPL signed the first share subscription in the EaSI Funded Instrument, representing a EUR 200 million loan fund to support lending to micro-enterprises and social enterprises;

299. Stresses a need to further increase resources in European Social Fund Plus (EFS+) to allow inclusion in the labour market and adapted training, as the COVID-19 crisis affected women's employment disproportionally, in particular women working in the informal economy and in precarious working conditions, and in some heavily impacted and highly feminised sectors.

300. Notes that, on average, more than one out of five persons and one out of four children are still at risk of poverty or social exclusion in the Union; recalls the Union commitment to provide support for the most deprived through FEAD, alleviating the worst forms of poverty in the Union, such as food deprivation, homelessness, and child poverty; notes that about 13 million people, including approximately 4 million children under the age of 15, are supported by FEAD annually;

Recommendations

301. Calls on the Commission to:

– follow up on allegation of alleged fraud regarding the repurposing of vocational training centres; analyse whether similar problems exist in other Member States regarding the repurposing of Union-co-financed infrastructure projects;

– promptly inform the discharge authority about its findings and potential further action following this analysis;

– conduct a thorough analysis on the different national rules on durability of infrastructure investments and premature repurposing and share this analysis with the discharge authority;

– encourage Member States to create national legislation on adequate durability periods beyond the minimum requirements as already existing in a lot of Member States;

– ensure that the sustainability of investments is guaranteed for a longer period;

Natural resources

302. Notes that payments for 'Natural resources' amounted to EUR 59,5 billion and were disbursed through the following programmes and policies:

– Direct payments under European Agricultural Guarantee Fund (EAGF), up to 69,5 % or EUR 41,4 billion;

– Market related expenditure under European Agricultural Guarantee Fund (EAGF), up to 4,0 % or EUR 2,4 billion;

– European Agricultural Fund for Rural Development (EAFRD), up to 23,9 % or EUR 14,2 billion;

– European Maritime and Fisheries Fund (EMFF), up to 1,4 % or EUR 0,8 billion;

– Other programmes, up to 1,2 % or EUR 0,7 billion;

303. Takes into account the existence of two main sets of indicators intended to monitor the performance of the CAP, both based primarily on Member States' reporting and data collected by Eurostat:

– the 'Common monitoring and evaluation framework' (CMEF) contains 210 indicators: 45 context indicators, 84 output indicators, 41 result indicators, 24 target indicators, and 16 impact indicators;

– the CAP programme statements contain 63 indicators, mostly drawn from the CMEF: 6 are intended to measure impacts related to the three general objectives, the rest are output/input, result and impact indicators relating to the specific objectives;

304. Welcomes the Court's finding that EAGF direct payments, representing 70 % of spending under natural resources, continues to be free of material error and the estimated level of error for all the chapter is below the materiality threshold, which demonstrates that the effectiveness of the remedial action plans that Member States have implemented in previous years;

305. Notes that for both CAP funds, the continuous decrease in error-rates is due to the efficient management and control systems applied, in particular the Integrated Administration and Control System (IACS);

306. Is satisfied that the level of expenditure on direct payments, compared to the net ceilings laid down in Regulation (EU) No 1307/2013, have reached 99 % since 2017; notes that, for the EAFRD, execution had reached a satisfactory rate at an average of 50 % of the total envelope by the end of 2019; asks the Commission to publish the expenditure on direct payments and the level of drawing from the EAFRD per Member State;

307. Stresses that misallocations of CAP funds, particularly direct payments, lead to undesirable distributive effects,, such as the concentration of subsidies in the hands of few, a capitalisation on the price of farmland and rent-seeking behaviour by financial "green investors" that see direct payments as attractive dividends on agricultural land thereby driving up the price of land to the detriment of small and medium-sized active farmers; regrets that the current CAP rules allow such legal but undesirable distributions and underlines the urgent need for effective and enforceable caps defined for natural persons that would limit these undesirable effects for the CAP 2021-2027; calls on the Commission and the Member States to support the respective proposals made by Parliament;

308. Stresses the need to eliminate undue administrative burdens, in particular in the context of the next MFF, that hinder the implementation of investments through the CAP, and the need to simplify to the extent possible the obligations resulting from the new green architecture;

309. Stresses that the current CAP controls and audit system have proven very efficient in ensuring the protection of the Union's financial interests, regulatory stability and equal treatment among farmers and other beneficiaries; highlights that the proper implementation of the CAP interventions is strictly related to the beneficiaries' compliance with the commitments set out at Union level;

310. Is concerned that the increased flexibility proposed under the new delivery model and to be granted to Member States in designing their own national control system and rules could lead to divergence of national practices and aggravate misuse and abuse of Union funds, and urges therefore the Commission to avoid "renationalisation" of the CAP; is also strongly concerned that this new delivery model may not contribute in terms of either simplification or performance of the CAP, and could put at risk the equal treatment of farmers and Member States; considers, moreover, that it could lead to additional complexity and increased reductions of payments related to inadequate budgetary planning and further administrative burden, thus putting at risk the financial credibility of the CAP; believes, therefore, that sufficient safeguards should be introduced to ensure the robustness of the CAP delivery model in terms of financial management;

311. Is concerned, at the same time, that the new requirements for sustainable farming, in particular with regard to the 2030 climate and environmental objectives, together with the reduction in the overall CAP budget for 2021-2027, may hamper the implementation of the budget under the EAFRD, especially in the early period of its implementation, and risk damaging the profitability for small farms in particular; stresses that the introduction of new CAP requirements must be accompanied by adequate funding at Union level;

312. Points out that the agricultural sector was particularly affected by the COVID-19 outbreak last year, increasing the risk of instability in farmers' basic income; therefore, in the years ahead, considers that particular emphasis should be placed under the new CAP delivery model on ensuring the regularity of payments to final beneficiaries of the CAP;

313. Warns that public CAP spending risks being misperceived by the European taxpayer if the same environmental and food safety laws in force in the Union do not apply to

products imported from third countries; calls on the Commission to review the operation of safeguard clauses in trade agreements to facilitate and extend their application beyond temporary market situations;

314. Calls on the Commission to continue to closely monitor ongoing and future trade agreements with third countries with respect to food safety and environmental and animal welfare standards; urges the Commission to make sure that there is a strong sustainability chapter in all trade agreements and that trade partners comply fully with requirements provided for therein; notes the need for a level playing field also in terms of environmental standards and animal welfare, and calls on the Commission to further develop legislation on due diligence in the supply chain to ensure that standards in Union agriculture are not undermined or compromised;

315. Reiterates its strong concern that the reservation on reputational, legal, financial and institutional grounds related to significant security risks identified in the maintenance and the operation of the Union Registry system of the EU Emissions Trading System, as reported in AARs since 2010 and as confirmed by the latest risk assessment exercise, is repeated in DG Climate Action's 2019 AAR; deplores the abnormal duration of this reservation; calls on the Commission to resolve the situation quickly;

316. Stresses that DG Climate Action and DG Budget monitor the 20 % climate mainstreaming target in the MFF, and that DG Climate Action supports other DGs in integrating climate in their activities; welcomes that 20,9 % of the 2019 Union budget was spent on climate-related activities, but regrets that it was still estimated that the trend would deliver only 19,7 % for the current MFF period;

317. Notes that, in 2019, DG Health and Food Safety's budget in its policy areas amounted to EUR 502,85 million and it had 772 members of staff; points out that the implementation rates of commitments and payments reached 95,85 % and 94,63 %, respectively;

Court findings

318. Recalls that the Common Agricultural Policy (CAP) accounts for 98 % of expenditure on 'natural resources'; notes that the level of error is below materiality for 'natural resources', taking into consideration the Court's estimated level of error (1,9 %); notes that direct payments, representing 70 % of 'natural resources' expenditure, were significantly below the materiality threshold;

319. Notes the positive evolution for the policy area "natural resources", which continues its downward trend with a further decrease of the overall level of error established by the Court to an estimated level of error of 1,9 %, below the materiality threshold; welcomes the fact that the error rate established by the Court tallies very closely with the overall error rate for the CAP given in DG AGRI's 2019 annual activity report;

320. Notes that of the 251 transactions examined by the Court, 44 (18 %) contained errors while 207 (82 %) were error-free; notes the fact that, as in previous years, 70 % of errors were made up by 'Ineligible beneficiary/activity/project/expenditure';

321. Notes that of the 136 rural development transactions, 114 were unaffected by error, 5 error cases had an impact exceeding 20 % and 15 transactions contained errors below

20 % of the amount examined, 2 payments had compliance issues without financial impact;

322. Notes that of 68 payments to investment projects, such as modernisation of farms, support for basic services and village renewal in rural areas, investments in forest management, and support for community-led local development, 9 were affected by errors, including 2 cases where the beneficiary and/or the project had not met the eligibility conditions;

323. Notes that of 68 rural development payments based on the area or animal numbers declared by farmers, and on requirements to comply with environmental and climate-related criteria, 8 transactions were affected by small errors below 5 % of the amount examined, 1 case of error affecting between 5 % and 20 % of the amount examined, in 2 other cases the beneficiaries breached environmental and climate-related eligibility conditions, leading to errors exceeding 20 % of the amount examined in both cases;

324. Observes that high-risk expenditure mainly concerned reimbursement-based payments, for instance in the fields of cohesion and rural development, where Union spending is managed by Member States; understands that high-risk expenditure is often subject to complex rules and eligibility criteria;

325. Notes with great concern that of 14 transactions concerning market measures, in 5 cases (36 %) paying agencies had reimbursed ineligible costs, including 3 cases of non-compliance with the eligibility rules leading to errors exceeding 20 % of the amount examined;

326. Notes with great concern that of 6 transactions concerning fisheries, the environment and climate action, 2 projects (33 %) had ineligible elements in the costs reimbursed;

327. Considers transparency as an essential element for retaining or gaining citizens'/taxpayers' trust and also the reputation of the CAP; notes the worrying conclusions of the Court, Ombudsman and numerous calls for improvements by the discharge authority on corruption and non-transparency; notes the limited progress made by the Commission; stresses that the Arachne data mining tool goes some way but not all the way to resolving these problems and should be further developed by adding other digital tools to help the Commission carry out efficient controls; supports the Court recommendation to share best practice in the use of Arachne to further encourage its use by paying agencies; deeply regrets that the Arachne system is not used by all states and hopes that initiatives will be taken in this direction. Stresses the Commission to use Arachne as a common data base and to promote strongly its use by all the Member states;

328. Welcomes the Court's finding in Special Report No 18/2019[1] that the reporting of Union greenhouse gas emissions data is in line with international requirements and that inventories of emissions have improved over time; emphasises that better insight is needed into sectors such as agriculture and forestry; calls on the Commission to take account of suggested further improvements in reporting how Union and national

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[1] Special Report No 18/2019 'EU greenhouse gas emissions: Well reported, but better insight needed into future reductions' OJ C 400, 26.11.2019, p. 16.

mitigation policies contribute to meeting emission reduction targets;

329. Notes that, in its 2019 AAR, DG Health and Food Safety presented an average residual error rate of 0,4 %, which is well below the materiality threshold of 2 %;

330. Notes that the share of payments related to grant management made on time by DG Health and Food Safety recovered to 92 % in 2019 (83 % in 2018) although it remains below the 95 % target;

331. Points to the challenges that DG Health and Food Safety's AAR again identified in the implementation of the Common Financial Framework in the Food Chain Area; notes that the lack of a crisis reserve facility means that emergency situations require re-allocations of funds from other important activities while there is no established method of valuation for animals, plants and products which need to be slaughtered or destroyed in the course of disease containment measures;

Regularity of CAP spending

332. Notes the Court's opinion that the 2015 expansion of certification bodies' role to provide an opinion on the regularity of expenditure was a positive development, as well as the Court's recognition that it identified some areas in which there is scope for further improvement, similar in type to those identified by the Commission; calls on the Commission to take the necessary measures in order to overcome the limitations in the reliability of the results of the certification bodies' work, due to weaknesses identified by the Commission and the Court in some certification bodies' checks and sampling methodologies;

333. Regrets that the Court cannot include in its work an analysis for the reasons for these persisting weaknesses it identified in the Member States; welcomes that the Commission visited all certification bodies to review their work on legality and irregularity and to assist them to improve their work by the end of 2019, but regrets that the Commission could not contribute either meaningful insights on the reasons or any country-specific differences between Member States' certification bodies; regrets that this lack of information on the underlying reasons for these persisting, systemic weaknesses in certain certification bodies hinders the efficient and effective addressing and solving of these problems; calls on the Commission to analyse the main sources of undetected errors and develop the necessary measures together with audit authorities to improve the reliability of reported residual rates, particularly in view of the CAP new delivery model, in which certification bodies will play a more prominent role, calls on Commission to focus more on the reliability of the results they furnish;

334. Points out that DG AGRI estimated the risk at payment to be around 1,9 % for CAP spending as a whole in 2019, the risk at payment being around 1,6 % for direct payments, 2,7 % for rural development and 2,8 % for market measures;

335. Notes that in 2019, DG Environment's budget reached EUR 505,58 million and had 476 members of staff; points out that the implementation rates of commitment and payment appropriations were both above 99 % at year-end;

336. Welcomes the reduced share of payments executed by DG Environment that exceeded legal deadlines in 2019 (3,23 % compared to 8,20 % in 2018);

337. Notes that DG Environment's 2019 AAR shows an average residual error rate of 0,80 %, which is below the materiality threshold of 2 %;

338. Notes that in 2019, DG Climate Action managed EUR 140,3 million under the title "Climate action" of the Union budget, and had around 225 members of staff; points out that the implementation rates of commitments and payments reached 99,98 % and 96,41 %, respectively;

339. Notes that 1,59 % of all DG Climate Action's payments in 2019 were made on a date later than the legal deadlines;

Anti-fraud policies and procedures in the CAP

340. Underlines that fraud is an act or omission committed with an intention to mislead, resulting in undue payments;

341. Takes note of the Court methodology to verify if the transactions audited are free from material irregularity, whether due to fraud or unintentional error, recalling that every year it identifies suspected fraud cases in CAP spending, with the risk that fraud has a material impact being greater for market-support payments, rural-development investments and other payments, which are generally subject to reimbursement-based co-financing;

342. Recalls that as the CAP is under shared management, both the Commission and the Member States are responsible for addressing fraud issues; on the Commission side, takes note that DG AGRI provides training and guidance on fraud risks for Member State management and control bodies, while OLAF investigates suspected fraud cases in cooperation with national investigative bodies;

343. Takes note of the fact that DG AGRI adopted its updated Anti-fraud Strategy on 20 October 2020;

Fair CAP allocation

344. Insists that larger farm incomes do not necessarily need the same degree of support for stabilising farm incomes as smaller farms in times of crisis in income volatility since they may benefit from potential economies of scale, which are likely to be resilient; believes that the Commission should take steps to ensure that CAP funds are distributed in a weighted manner, such that the payments per hectare are on a reducing scale relative to the size of the holding/farm[1];

345. Urges the Commission to ensure that the CAP is fairly allocated to active farmers and does not result in land deals that benefit a select group of political insiders often called 'the oligarchs'; calls on the Commission to take stock of breaches, circumventions and unintended consequences of the CAP current allocation rules; notes the importance of a transparent and strong governance system and further calls on the Commission to

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1 Paragraph 258 of the discharge resolution in respect of the implementation of the general budget of the European Union for the financial year 2018, Section III – Commission and executive agencies

increase efforts to prevent and detect fraud[1];

Conflicts of interest, land-grabbing and concentration of land

346. Notes with concern the Commission's data for the distribution of direct payments by payments class in 2019 demonstrating that the biggest share of the direct payment envelope (58 %) goes to 15 % of all beneficiaries, while most beneficiaries (75%) account for an even smaller share of the direct payments (15 %) than the 0,5 % of all beneficiaries who receive more than EUR 100 000, which corresponds to 16,3 % of the total direct payment envelope;

347. Is deeply concerned that CAP subsidies incentivise agricultural holdings, investors, hedge funds, foundations and very rich individuals to amass land, leading to a further increase in the concentration of landownership; notes with great concern that this drives up the price of farmland making it increasingly difficult for small and medium-sized farmers to acquire land; reiterates emphatically that agricultural subsidies are not intended to be safe returns for green investments;

348. Reiterates its call for the introduction of maximum amounts of payments that one natural person can receive from the first and second pillar of the CAP; is of the opinion that maximum amounts that are defined for natural persons are much harder to circumvent than caps for legal persons; recalls that beneficiaries can artificially split up their companies or create additional companies that all can receive the maximum amount of funding, thereby circumventing a cap defined per legal person; welcomes the intentions of the proposal to count all companies belonging to the same group as one beneficiary, but is of the opinion that this is insufficient: opaque and highly complex company structures often involving entities in several Member States and/or third countries make it very difficult to ensure that all companies belonging to the same group are identified as such and in fact treated as one beneficiary;

349. Repeats its concern that CAP subsidies continue to incentivise land-grabbing by criminal and oligarchic structures; reiterates its urgent call on the Commission to establish a complaint mechanism for farmers and SMEs faced with land-grabbing, severe misconduct by national authorities, irregular or biased treatment in tenders or the distribution of subsidies, pressure or intimidation from criminal structures, organised crime or oligarchic structures, persons being subject to forced or slave labour or another severe infringement of their fundamental rights to lodge a complaint directly with the Commission; welcomes that such a complaint mechanism has been proposed for the new CAP regulation;

350. Notes that DG AGRI audits in 2017 and 2019 detected weaknesses in the functioning of the Land Parcel Identification System, the Geospacial Aid Application, the quality of the on-the-spot-checks, as well as excessive delays in the processing of payments, in particular for overlapping claims; welcomes that the Commission has interrupted payments and put the paying agency under probation; notes that the deficiencies in the management and control systems of the paying agency are being addressed in an action

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[1] Paragraph 260 of the discharge resolution in respect of the implementation of the general budget of the European Union for the financial year 2018, Section III – Commission and executive agencies

plan requested by DG AGRI and reinforced in 2019; notes that the amount at risk is EUR 3,271 mio. for direct payments and EUR 21,596 mio. for rural development and that the conformity clearance procedure is ongoing ;

351. Is deeply concerned by the recent report published by the Slovak Supreme Control Office regarding the work of the Slovak Agricultural Paying Agency, which concluded the lack of transparency in the management of the direct subsidies as well as of the systematic control of applicants and recipients of subsidies[1]; is concerned by the limitations in the reliability of the results of the certification bodies' work, due to weaknesses identified by the Court in some certification bodies' checks and sampling methodologies;

352. Notes that OLAF closed three administrative investigations in 2020 on possible misuse of Union funds for agriculture in Slovakia concerning direct payment applications made between 2013 and 2019; regrets that a company was found to intentionally claim Union payments on ineligible land, which was mainly used for non-agricultural activity; finds it alarming that OLAF also identified that certain areas that had been claimed for years by some companies were in fact not covered by legally valid lease contracts;

353. Notes further that OLAF's investigations uncovered several weaknesses in the control and management system for direct payments in Slovakia; regrets that there are only very limited controls on whether the disposal of land by applicants is lawful and that verification checks are limited to overlapping claims; notes OLAF's finding that the internal verification procedures adopted by the Slovak national authority in charge of the management of agricultural land under State ownership or land without a known private owner should be improved as regards its transparency and legal certainty; notes that as a result of the shortcomings in the verification processes, OLAF considers that overpayments could amount to more than one million euros;

354. Remains deeply worried by reports about agricultural funds ending up in the pockets of autocrat leaders and their cronies; reiterates that this is a severe injustice towards EU tax payers and particularly towards small farmers and rural communities; stresses that the eradication of corruption and fraud should be part and parcel of the CAP;

355. Underlines that given the widespread problems of conflicts of interest in the distribution of Union agricultural funds, it is undesirable that members of the European Council, agricultural ministers, functionaries, or their family should be taking decisions on income support;

356. Is astonished by the Commission's evaluation that the Czech agricultural minister is not in a conflict of interest situation despite receiving substantial amounts of CAP subsidies while being in charge of the programming of agricultural programmes under the CAP; criticises the seemingly different interpretation and application of Article 61 of the Financial Regulation; calls on the Commission to provide a comprehensive report laying open whether there are any ongoing audits against any members of government in any Member State, and provide an overview over which members of governments in

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1 https://www.nku.gov.sk/web/sao/news/-/asset_publisher/FaxZbYV7Oqlp/content/direct-aid-in-agriculture-without-targeted-control-with-holes-in-legislation.

all Member States receive subsidies from the CAP and/or cohesion funds;

357. Points to a recent study offered to the discharge authority on the identification of the direct and ultimate beneficiaries of CAP spending[1]; reiterates the study's finding that a comprehensive and accessible overview of these beneficiaries remains impossible to provide; therefore asks the Commission in cooperation with national agencies to come up with a standardized and publicly accessible format to disclose the end beneficiaries of the CAP;

358. Urges the Commission to cooperate with Member States in order to adjust the conditions set by the national authorities for receiving subsidies for larger projects, as currently most of CAP funding benefits large companies; calls on the Commission to issue recommendations and align these conditions so that they are better harmonized across the EU, while respecting national specificities;

359. Calls on the Commission to report to Parliament the results of the DG AGRI Audit procedure on the case of conflicts of interest in the Czech Republic; requests that particular attention is put on payments made to companies directly and indirectly owned by the Czech Prime Minister or other Members of the Czech Government;

360. Notes, that as regards market measures, 6 Paying Agencies have been classified as providing "limited assurance with high risk": Bulgaria, Spain, UK, Greece, Italy (for 2 aid schemes) and Portugal. The highest adjusted error rate was found in Bulgaria (11,52 %), followed by Poland (7,15 %) and Italy (6,12 %). DG AGRI has issued 7 reservations at measure level: Fruit and Vegetables: Operational programmes for producer organisations (the United Kingdom, Italy and Portugal), Olive oil (Greece), Wine sector (Bulgaria, Italy), EU School Scheme (Spain). Is especially concerned about the wine sector, where the adjusted error rates in Bulgaria (15,7 %) and Italy (9,6 %) are very high, with amounts at risk of more than EUR 30 million in Italy and EUR 2,3 million in Bulgaria.

361. Notes, that as regards direct payments, 18 Paying Agencies had an error rate between 2 % and 5 %, and one above 5 % (5,2 in Austria). DG AGRI has issued 17 reservations at Paying Agency level for Austria, Cyprus, Denmark, Spain (3 Paying Agencies), Greece, Italy (7 Paying Agencies), Portugal, Romania and Sweden;

362. The reservations can be grouped in the following categories: due to weaknesses in relation to payment entitlements (AT, DK, IT, PT, SE), due to weakness in animal-based voluntary support measures (AT, GR, RO), due to high reported error-rate (CY), based on the Certification Body assessment (ES06) , due to weaknesses in the quality of on-the-spot checks (ES09, ES15, GR, PT, SE), weaknesses in the Land Parcel Identification System (LPIS) (IT) and due to weaknesses in the definition of land type (RO, SE);

363. The reductions made in 2019 concerned 17 Member States and a total amount of EUR 67 764 269,48 of which 36 million fell on Italy, 15 million on the UK and 8 million on

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1 https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/CONT/DV/2021/01-25/Study_Largest50Beneficiaries_EN.pdf

Spain;

364. Notes, that as regards rural development, 30 out of 71 Paying Agencies have an adjusted error rate above 2 % (of which 8 were above 5 %: Cyprus, Germany (one Paying Agency), Estonia, Spain (one Paying Agency), France (one Paying Agency), United Kingdom (one Paying Agency), Portugal, Slovakia. DG AGRI has issued 21 reservations at Paying Agency level: Austria, Cyprus, Germany (one Paying Agency), Denmark, Estonia, Spain (two Paying Agencies), Finland, France (two Paying Agencies), United Kingdom (one Paying Agency), Croatia, Hungary, Ireland, Italy (two Paying Agencies), Lithuania, Portugal, Romania, Sweden and Slovakia. The highest adjusted error rates were found in Slovakia (10,31 %), followed by 7,63 % in Cyprus and 5,94 % in Poland;

365. The reservations can be grouped in the following categories: due to deficiencies in organic farming measure (AT,HU); under afforestation (ES02, PT); and for Leader and private investment non- Integrated Administrative and Control System (non-IACS) measure (DE19), due to deficiencies in checks for the on the spot controls (CY, DK, FR18, FR19,IT10, SK); cost reasonableness (ES09, FR19); in cross-checks (ES09, SK); ineligibility (ES09, CY, RO, SK) and active farmer (GB07), due to weaknesses in supervision procedures for some measures (IT10); and in recording of the maximum eligible area (MEA) in the Land Parcel Identification System (LPIS) for Integrated Administrative and Control System (IACS) measures (IT10, IT26), due to deficiencies in investment measure (HR); private investments (LT); forestry, agri-environmental commitments, setting up of producer groups and risk management measures (HU); due to deficiencies in public procurement procedures (HU, RO, SK), due to high reported error rates (CY, DK, EE, ES02, ES09, FR18, FR19 HR, IE, LT, PT) , based on the Certification Body assessment (FI, GB07, HR, IT26, SE);

Recommendations

366. Calls on the Commission to:

- conduct a thorough analysis of the underlying reasons and potential structural problems causing the persisting systemic weaknesses in the reliability and quality of the work by the certifying bodies detected by the Court in its audits every year and pay special attention to any potential country-specific differences; asks the Commission to also include observations on best practice in national authorities with low levels of errors and whose work is deemed reliable by the Court; asks the Commission to conduct this analysis in close cooperation with the Court and actively involve national authorities both regarding the problem description and potential solutions;

- share the results of this analysis with the Court, the discharge authority and Member States;

- based on this analysis, address clear, practical and readily implementable horizontal as well as country-specific recommendations to the national authorities; asks the Commission to establish a structured dialogue with the national authorities and the Court to continuously work on capacity building and exchange of best practice to improve the reliability of national audit authorities' work; keep the discharge authority informed about the progress of this dialogue;

– further improve the quality and enlarge the scope of auditing and controls of regularity and achieved results of the EU agricultural policy both on the national and European level as a key condition for the protection of EU financial interests;

CAP Performance

367. Considers that, in view of the lack of specific CAP instruments to balance the functioning of the food supply chain, the pressing priority is to continue legislating so that farmers are no longer the weakest link in the chain;

368. Stresses that investments contributing to a resilient, sustainable and digital economic recovery in line with the agri-environment-climate objectives pursued under the European Green Deal are fundamental for the social and economic development of rural areas;

369. Emphasises the role of basic income support in the CAP and its contribution to the maintenance of agricultural and livestock activity, curbing the rural exodus and promoting a vibrant and dynamic rural environment;

370. Highlights that CAP support to young farmers has proven to be an essential tool, and should be further strengthened; believes that digitalisation and innovation, and investments to develop short supply chains and direct sales to consumers, could be decisive instruments for the revitalisation of rural areas making them more attractive to young farmers; considers that sufficient and accessible support, along with simplification for final beneficiaries, in particular for young, new and small farmers, should be a priority for Member States when carrying out their strategic planning; stresses the need to introduce procedures, at the implementation stage of the national strategic plans, that are tailored to specific needs;

371. Highlights how well voluntary coupled payments generally work to support sectors at serious risk of abandonment;

372. Points out that promotional funds are essential for opening and consolidating new markets; calls on the Commission to ensure that the ecological model is promoted in the same way as other equally sustainable models, such as integrated production or precision farming;

373. Notes that a greener CAP, in line with the Paris Agreement and the European Green Deal, would not only support the Union in achieving its targets, but also increase efficiency in the use of public money, by limiting the negative externalities linked to agricultural practices and shifting focus to prevention rather than cure;

374. Recalls that expenditure contributing to halting and reversing the decline of biodiversity should be calculated on the basis of an effective, transparent and comprehensive methodology set out by the Commission, in cooperation with Parliament and the Council; calls on the Commission to provide Parliament with an annual report setting out in detail the contribution of each budget item to the biodiversity mainstreaming target of providing 7,5 % of annual spending under the 2021-2027 MFF to biodiversity objectives from 2024 and 10 % of annual spending under the 2021-2027 MFF to biodiversity objectives from 2026, in order to facilitate its monitoring;

375. Finds it worrying that the Court has identified weaknesses in the set of CAP

performance indicators:

- More indicators relate to inputs or outputs and therefore they show the level of absorption rather than the results or impacts of the policy:

- The indicators in the programme statements mainly provide information about outputs, which are more easily measurable and less affected by external factors than results and impacts:

- 14 indicators do not have a specific, quantified target and therefore, they only indicate trends:

- Assessing how much support is going to beneficiaries outside the target group could improve policy design and increase the efficiency of the CAP. This would involve identifying CAP funds paid to beneficiaries whose main economic activity is not farming. Such data could also help to identify claims involving significant concentration of land (potentially representing 'land-grabbing'). In addition, direct payments have contributed to increased land rents in some Member States, in particular for low-productivity lands. Evaluators have recommended that the Commission investigate the impact of direct payments on the increase of land rents and appropriate countermeasures;

- Seven indicators do not relate to the performance of the CAP, but to assurance on regularity of spending, public awareness of the CAP and policy information support within DG AGRI;

376. Deplores the low level of organic farming in Europe, which is only 7,5 % given the resources invested; calls on the Commission to put in place a performance based model in the CAP that should work based on the same indicators, giving quantified values to identify milestones; insists on the need to provide significant additional information on performance towards achieving policy objectives on biodiversity and climate actions; emphasises that better insight is needed into sectors such as agriculture and forestry; calls on the Commission to take account of suggested further improvements in reporting how EU and national mitigation policies contribute to meeting emission reduction targets; proposes that the Area Monitoring System (AMS) should be compulsory in the frame of the IACS (Integrated Administration and Control System) in the Member States;

377. Is concerned about limited availability and public access to data on agriculture subsidies and their final beneficiaries; is of the opinion that such information should be made public but strictly in line with data protection legislation and the standing jurisdiction of the CJEU on this matter; calls on the Commission and Member States to collect such data and make it accessible under the above conditions in a transparent and user-friendly manner (including the machine readable format) in order to enable transparency of final beneficiaries and public control of the use of the Union money, generally, but explicitly to the relevant bodies and authorities;

378. Notes with concern that under the current transparency rules data is available only for a two-year period in case of CAP funding; calls for a longer time period to be applied in the case of CAP funding as is the case for structural funds;

379. Notes that in 2019 the Commission clarified the legal framework applicable for direct monitoring by imaging technologies[1]; welcomes the Court's observations[2] that imagining technologies represent extraordinary advantages such as the reduction of field visits and consequently their administrative costs, an interactive monitoring approach that prevents non-compliance and the generation of useful data for smart farming; highlights in particular that imaging technologies would allow monitoring the whole population of aid recipients, which could be a game changer in terms of budgetary control; calls on the Commission to review the environmental and climate performance indicators in order to make them compatibles with checks by monitoring; urge the Commission to remove the obstacles to a wider use of the imaging technologies and to provide incentives and support to national paying agencies to use checks by monitoring;

380. Notes the Court's observation that the information in the AMPR is aligned with the underlying data in the programme statements, but the APMR gives an over optimistic view of achievements and it does not discuss the efficiency of spending; calls on the Commission to report to the discharge authority on the measures undertaken to overcome the significant challenges noted by it in achieving policy objectives for the period 2014-2020;

381. Takes note of the Court's observation that the direct payments reduce income volatility (by around 30 % as suggested by an evaluation study using data for 2010-2015), but they are largely untargeted; asks the Commission to ensure that better consistency between the targets addressed by the indicators and the policy objectives of increasing the individual earnings of people engaged in agriculture while limiting the need for direct support;

382. Welcomes the revision of the indicators and objectives in the Commission's post-2020 CAP proposals which is based on the weaknesses identified by its Internal Audit Service and by the Court regarding CMEF indicators, as well as on the recognition of the need to develop further the indicators;

383. Notes the Court's observation that the CAP has potential to contribute to the sustainable use of natural resources, but there is not enough data to assess effectiveness; notes further its findings that greening had had little measurable effect on farming practices and the environment and that it remained essentially an income-support scheme;

384. Takes note of the constrain, identified by the Court for successful contribution of agri-environment-climate measures to biodiversity and invites the Commission to suggest measures for increasing schemes coverage of a substantial portion of the farmed landscape and on specific risks;

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1 Commission Implementing Regulation (EU) 2019/1804 of 28 October 2019 amending Implementing Regulation (EU) No 809/2014 as regards amendments of aid applications or payment claims, checks in the integrated administration and control system and the control system in relation to cross compliance.

2 Court's Special Report No 04/2020 Using new imaging technologies to monitor the Common Agricultural Policy: steady progress overall, but slower for climate and environment monitoring.

385. Takes note of the modest achievement by forestry measures under EAFRD, the achievement of 60 % in 2018 of the target for more efficient irrigation systems established for 2023 and the need for further reduction of greenhouse emissions from agriculture and calls on the Commission to report on measures undertaken to improve the results of CAP implementation in these areas;

386. Notes the Courts observation that the AMPR contains information on jobs and broadband access, but does not provide any relevant performance information for the balanced territorial development objective; deeply regrets that 40 % of rural households still do not have high-speed internet access. Digitisation is not being speeded up in rural areas in order to develop employment there and to support farm development on a day-to-day basis;

387. Welcomes the increase in the rural employment rate from 63,4 % in 2012 to 68,1 % in 2018;

388. Notes the figures on which the Court comments for LEADER as at the end of 2018 (13 337 jobs recorder representing 30 % of the 2023 target) as well as the fact that the Commission does not have reliable data on jobs created under LEADER; asks the commission to work together with Member States for improving the availability of reliable data for LEADER implementation;

389. Is concerned about the multitude of media reports on labour rights abuses of cross-border and seasonal agricultural workers throughout the Union, in many Member States; supports the Commission in its efforts at refusing aid to farms that do not respect the labour rights of seasonal workers;

Recommendations

390. Calls on the Commission to:

- ensure a fairer distribution of the direct payments;
- do its utmost in the negotiations on the CAP to ensure that a complaint mechanism for farmers and SMEs will become part of the new CAP regulation;
- do its utmost in the negotiations on the CAP to ensure that maximum amounts of payments receivable from the first and second pillar of the CAP are defined per natural person;
- increase efforts to prevent and detect fraud and frequently update its analysis of CAP fraud risks more often and perform an analysis of Member States' prevention measures as a matter of priority;
- ensure that the Fifth Anti-money laundering directive is implemented fully and correctly in all member states, particularly with regard to the implementations of public registers of beneficial owners and registers of beneficial owners of trusts; Notes that capping should apply also to the parent undertaking where there is one, rather than to the individual beneficiary or subsidiaries, in order to avoid splitting up farms to avoid capping;

– implement Parliament's requests, including the setting up of concrete instruments to evaluate the land concentration in all Member States, identify the final beneficial owners of Union funds, also via a unique business identifier at Union Level as proposed in the preliminary findings of the study on "The largest 50 beneficiaries in each Union Member State of CAP and cohesion funds15a;

– better analyse Member State legislation and policies to prevent land grabbing and to formulate guidance on best practices; invites the Member States to apply best legislative practice aimed at restricting land grabs; calls on the Commission to increase efforts to prevent and detect fraud; urges Member States, together with the Commission, to develop proper Union-level legal instrument to prevent land-grabbing;

– keep the discharge authority informed on any new developments regarding the Slovak Agricultural Paying Agency, including specific information on financial corrections;

– based on the irregularities found in Slovakia, to review the situation of Agriculture Paying Agencies in the Member States and ensure both their independence and compliance of their operations with the Union rules;

– fully enforce the Financial Regulation of the Union, and particularly Article 61 thereof and to make sure the Financial Regulation is applied to all Union funds' payments including the direct agriculture payments;

– provide Parliament with an annual report setting out in detail the contribution of each budget item to the climate mainstreaming target and to biodiversity spending, in order to facilitate their monitoring;

– urgently start working on an effective methodology, where relevant, and in accordance with sectoral legislation, for monitoring climate spending and its performance in view of achieving an overall target of at least 30 % of the total amount of the 2021-2027 Union budget and Next Generation EU (NGEU) expenditures supporting climate objectives;

– provide necessary financial resources for water management, including support the quality and quantity of water resources in agricultural land, forestry and wetlands as well;

Security and citizenship

391. Notes that payments for 'Security and Citizenship' amounted to EUR 3,3 billion and were disbursed through the following programmes, policies and agencies:

– 'Migration and security', up to 45,3 % of the heading budget or EUR 1,6 billion ;

– 14 Decentralised agencies (health: ECDC, EFSA, EMA, ECHA; home affairs: Frontex, EASO, Europol, CEPOL, EU-LISA, EMCDDA; justice: Eurojust, FRA, EIGE, the EPPO), up to 29,1 % of the heading budget or EUR 1 billion;

– 'Food and Feed', up to 7,6 % of the heading budget or EUR 0,2 billion;

– ‘Creative Europe’, up to 7,3 % of the heading budget or EUR 0,2 billion;

– ‘Others’ (consumers, justice, rights, equality and citizenship), up to 10,7 % or EUR 0,3 billion;

392. Notes with satisfaction that, under the Creative Europe programme, 1 370 grant agreements were signed in 2019, thus exceeding the Commission’s target and making full use of the available budget appropriations; recalls, in this regard, that a fair geographical distribution of grants is key to unlocking the full wealth of European culture; welcomes the developments regarding the implementation of the pilot project on the mobility scheme for artists and culture and creative professionals as well as the preparatory actions on the ‘Europe for Festivals, Festivals for Europe’ and ‘Music Moves Europe’; takes the opportunity to recall the importance of increasing the budget for this programme to further improve its success rate ;

393. Continues to be concerned by the apparent lack of transparency and accountability in the arrangements for the provision by the Commission of financial support to Euronews; stresses that the Court does not point out shortcomings on Euronews, but focuses much more on the Commission monitoring and evaluation mechanisms; urges therefore the Commission to increase transparency in respect of the budget for multimedia activities and to improve accountability for expenditure; takes note that Euronews was subject to two performance audits in the last four years; acknowledges that an independent performance audit of actions funded across the Multimedia Actions budget line, published on 23 June 2020, states that ‘Euronews has well established procedures to support editorial quality, balance, independence and impartiality, and these appear to be operating effectively’; recalls the need to continue impartial evaluation in order to guarantee the highest standards of transparency and accountability; asks the Commission to reflect the concerns of the European Parliament in the design of the next Framework Partnership Agreement in 2021; asks the Commission to diversify the communication channels funded under the Multimedia Actions budget line;

394. Highlights that beneficiaries of programmes for rights, equality and citizenship under the Union budget must adhere to the highest standards of rule of law, independent media, and free speech; deplores that Austrian political scientist Farid Hafez repeatedly received funding from the EU budget, despite his close association with the Muslim Brotherhood and the Turkish government, who attempt to silence independent journalists and media freedom under the disguise of Islamophobia; calls on the Commission to amend eligibility criteria for rights, equality and citizenship programmes under the Union budget to prevent individuals and organisations with such disturbing views from receiving Union funding;

395. Welcomes the results in key action areas of gender equality such as gender based violence through the dedicated programmes, as well as the outcome and conclusion of the MFF negotiations on the citizenship, equality, rights and values programme;

396. Calls for the examination of synergies between internal and external programmes of the Union to ensure a coherent and continuous approach to policies both inside and outside of the Union, especially for instance to issues related to the violence against women or to combatting trafficking in human beings;

397. Strongly reiterates its demand to increase resources dedicated to preventing and combating gender-based violence under the Citizens, Equality, Rights and Values, especially following the escalation of violence against women during the COVID-19 crisis; reiterates its request for an independent budget line for all measures specifically targeting gender equality, including on gender-based violence, which will be a first step in increasing transparency, facilitating the tracking of gender related spending and having an open decision-making process on the funds allocated to gender equality in which Parliament should play a fundamental role in its capacity as budgetary authority;

398. Is concerned that in its internal spending review of the current Union programmes, the Court found that gender equality had not been mainstreamed across the Union budget in the same way as climate change or biodiversity and that instead, specific programmes, mainly those tackling employment and social issues, had been used to address discrimination based on gender; regrets that there is no methodology in place to track the spending dedicated to gender equality; welcomes the Court's decision to examine gender mainstreaming in the Union budget and to publish the audit report in the first quarter of 2021[1];

399. Stresses that women's rights and a gender equality perspective should be integrated and ensured into all policy areas, particularly in light of the multiple gendered impacts of the COVID-19 pandemic on women's rights; reiterates therefore its call for the implementation of gender mainstreaming at all stages of the budgetary process, including the implementation of gender budgeting and the assessment of its execution; reiterates its demand to include gender-specific indicators in the common set of result indicators for the implementation of the EU budget;

400. Welcomes the fact that gender equality and mainstreaming has been introduced as one of the horizontal principles for Union funds in the new MFF, stipulating that gender equality and gender mainstreaming will now be prioritised in the MFF; regrets that although gender mainstreaming was already included in a joint declaration attached to the MFF for 2014-2020, it was not fully implemented in the MFF for this period; expects the Commission to take its commitments seriously in the future by closely monitoring the implementation of these horizontal principles in all of the EU policy areas and providing thorough gender impact assessments and monitoring of all of its policies and programmes;

401. Welcomes the commitment to develop a methodology to track spending on gender equality and requests the Commission to ensure that the methodology will be designed by the end of 2021 to make it operative as soon as possible;

402. Expresses its concern at the interrelation between the attacks on the rule of law and the backlash on gender equality and women's rights; calls for this issue to be addressed through the Article 7 procedure against Member States concerned;

Court findings: Member States' AMIF/ISF annual accounts

403. Notes the fact that the most significant area of expenditure within this heading is

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1 https://www.eca.europa.eu/Lists/ECADocuments/INAP20_03/INAP_Gender_equality_EN.pdf

migration and security as well as the fact that most spending comes from two funds – the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF);

404. Regrets that, the Court did not estimate the error rate for this MFF heading but examined a sample of 19 transactions designed to contribute to its overall statement of assurance rather than be representative of spending under this MFF heading; notes that the sample covered 8 transactions under shared management, 8 transactions under direct management and 1 under indirect management, is concerned that the Court identified seven transactions (37 %) which were affected by errors; recalls that the public and political interest in this area is far higher than its financial share; reiterates its request to the Court to clearly estimate the error rate for the chapter Security and Citizenships;

405. Notes that the Court has not provided information about the financial impact which the three quantifiable errors identified by it had on the amounts charged to the Union budget;

406. Takes note of four cases of non-compliance with legal provisions regulating the selection of projects and procurement rules, but without a financial impact on the Union budget;

407. Notes that the Court audited the work done by eight authorities responsible for auditing their respective Member States' AMIF/ISF annual accounts and providing the Commission with an annual control report;

408. Notes with satisfaction that the audit authorities in the Member States[17] selected by the Court for a check had developed and implemented detailed procedures of sufficient quality to report as required by the rules, and had detailed audit programmes and checklists to support their conclusions;

409. Takes into account certain shortcomings in annual control reports issued by the audit authorities, whose impact on the accounts were not material enough to detract from the audit authorities' conclusions but creating potential risk of unreliability of reported data and of limited assurance

- Sampling issues (use of a risk-based rather than a random methodology; inaccurate values used to determine sample size) in Slovenia;

- Wrong set of accounts (submission of the draft accounts to the audit authority before completing its own on-the-spot controls by responsible authority) in Italy and Slovenia;

- Inaccurate calculation and presentation of total and/or residual error rates in Germany and Italy;

- Exclusion of the technical assistance from the audit population and lack of reporting on this fact in the annual control report in Slovenia;

- Partial exclusion of advance payments from the audit population and lack of reporting on this fact in the annual control report in Germany;

– Allocation of projects in two subgroups (advances and expenditure incurred) for sampling reasons in Cyprus;

410. Notes that the audit authorities in the Member States[1] selected by the Court for a check had detailed audit programmes and checklists to support their conclusions;

411. Points to certain shortcomings in the work of audit authorities creating potential risks in failure to detect ineligible expenditure, unreliability of audit conclusions and of limited assurance such as examples below and asks the Commission and the Court to work together with national audit authorities to improve on these shortcomings:

– Irregular checks of project selection and/or award criteria by the auditors in Italy and Cyprus;

– Insufficient audit trail or poor documentation of audit work in Greece, Cyprus, Lithuania and UK;

– Irregular check of all relevant available evidence to confirm the eligibility of target groups and declared expenditure or the reasonableness of costs in Italy and Cyprus;

412. Points to shortcomings arising from the Commission's assessments of annual control reports[2] such as:

– Different definition of 'interim payment', which creates risks of compromise for value and completeness of the reported data;

– Lack of Commission guidance on how to calculate the minimum audit coverage of 10 % in case of sub-sampling, which creates risks of reliability and uncertainty for audit conclusions;

413. Welcomes the strong cooperation between OLAF and the Court in combatting fraud in relation to the budget; takes notes that in 2019, as in 2018, nine cases of fraud were reported to OLAF by the Court, in relation to which OLAF has opened five investigations; notes that the main types of fraud detected by the Court are false declarations of expenses, procurement irregularities and the artificial creation of conditions to receive Union funding;

414. Welcomes the Court's special reports, and in particular the ones on Asylum, relocation and return of migrants[3], on EU information systems supporting border control[4] and on fighting fraud in EU spending[5] mentioning the positive role of the establishment of the

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1 Germany, Greece, Italy, Cyprus, Lithuania, Poland, the United Kingdom, Slovenia.
2 From Bulgaria, Czechia, France, Netherlands, Austria, Portugal, Slovakiaa, Estonia, Spain, Iceland, Malta and Finland.
3 Special Report No 24/2019 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results'
4 Court's Special Report No 20/2019 'EU Information Systems Supporting Border Control: a strong tool, but more focus needed on timely and complete data'
5 Court's Special Report No 01/2019 'Fighting Fraud in EU spending: action needed'

European Public Prosecutor's Office in this regard;

415. Recalls its letter sent to the Commission on 13 February 2020 on the implementation of the two delegated acts adding the instrument for financial support for external borders and visa to ISF Delegated Regulation (EU) 2020/446[1]) and adding a new specific action to AMIF Delegated Regulation (EU) 2020/445[2]); notes that the delegated act to AMIF has not been used; calls on the Commission to urgently provide detailed information about the different projects funded under delegated Regulation (EU) 2020/446;

416. Asks the Commission and the Member States' audit authorities to address the shortcomings identified by the Court concerning audit coverage, sampling and audit trails in relation to Member States' audit authorities, and to report to the discharge authority;

Performance: AMIF

417. Points to four general impact indicators (on actual returns compared to return decisions, percentage of voluntary returns, difference in employment rates between Union and non-Union nationals, and convergence of recognition rates for asylum applicants) that are not directly related to the performance of AMIF, although spending from the fund may contribute to the corresponding target;

418. Welcomes the Court's observation that the Commission's interim evaluation indicates that AMIF is relevant and that it funded interventions that corresponded to the needs of Member States;

419. Notes however some limitations in AMIF performance indicators identified by the Court, such as that two thirds of the indicators are output indicators and that 5 of the 24 indicator milestones for 2020 have already been achieved in previous years, and that, targets have not been adjusted upwards in line with good financial management practice to reflect political will and the potential for achieving even more;

420. Notes that some AMIF indicators are not on track to meet their targets, that the Commission has not developed a performance monitoring framework for EMAS funded projects and that AMPR and programme statements provide little information on the progress achieved under important indicators; notes with concern that the Court has found a significant delay regarding the achievement of the objective that the AMIF had set for the integration and legal migration;

421. Notes that the evaluation of output indicators is difficult in this policy area; is concerned that EU funding has neither improved the humanitarian situation in refugee camps nor effectively protected the external borders; calls on the Commission for detailed

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1 Commission Delegated Regulation (EU) 2020/446 of 15 October 2019 amending Annex II to Regulation (EU) No 515/2014 of the European Parliament and of the Council establishing as part of the Internal Security Fund, the instrument for financial support for external borders and visa (OJ L 94, 27.3.2020, p. 3.

2 Commission Delegated Regulation (EU) 2020/445 of 15 October 2019 amending Annex II to Regulation (EU) No 516/2014 of the European Parliament and of the Council establishing the Asylum, Migration and Integration Fund (OJ L 94, 27.3.2020, p. 1).

clarification, in particular for admission procedures at external borders; calls on the Commission to investigate where exactly the EU funds have been invested in the AMIF programmes and which specific improvements they brought about; requests a corresponding report from the Commission for each of the member states concerned;

422. The deficits are mainly caused by the length of asylum procedures, sluggish integration and insufficient return rates; calls on the Commission and the Member States to make immediate legislative progress;

423. Asks the Commission to take measures to address the shortcoming identified by the Court and to improve the information included in AMPR and programme statements, which will allow for better monitoring of the progress achieved by the Fund;

424. Is deeply concerned that only limited, aggregated performance information is available on the overall EMAS[1] related spending (initial allocation of EUR 100 million was increased to EUR 2,2 billion for the period to 2020, representing 30 % of the fund, however, the Commission has not developed a performance monitoring framework for EMAS funded projects);

425. Is deeply concerned that the AMPR and programme statements provide little information about economy and efficiency in implementing the fund, or about the cost effectiveness of AMIF actions;

426. Is deeply concerned that the AMPR and programme statements do not report on measures aiming to attract highly-skilled workers to the Union through legal migration schemes and that the indicators are not suitable for reporting on such measures;

427. Notes the existence of two parallel Union funded schemes supporting the same type of return activities (AMIF NPs and Frontex return support), as well as the fact that coordination is mainly the responsibility of the Member States; calls therefore on them to ensure better coordination between both schemes;

428. Notes with concern that for both the AMIF and the ISF not all the available budget has been used by Member States; considers this particularly problematic in the light of the increasing use of emergency assistance to fund Member States policies in these areas; recalls that the challenges related to security and migration management are a priority for the Union; recognizes the efforts of the Commission in this respect and demands greater cooperation from all Member States;

Recommendations

429. Calls on the Commission to:

- issue guidance to the Member States' audit authorities for AMIF and the ISF on how to calculate audit coverage in case of sub-sampling to ensure that sampling is sufficient and appropriate to provide a reasonable basis for the auditor to draw conclusions about the entire audit population;

- reiterate to the Member States' audit authorities for AMIF and the ISF that they

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[1] AMIF emergency assistance

should follow the Commission's instructions on sampling and calculating the error rate with the condition that sampling should be random, each sampling unit in the population should have a chance of selection and, where applicable, all errors should be extrapolated to the relevant population;

– issue guidance to the Member States' audit authorities for AMIF and the ISF to document the nature, timing and extent of their audit procedures, their results, and the audit evidence collected, in a sufficient and appropriate way;

430. Requests the Commission to:

– define criteria for allocating EMAS funds under shared management with Member States in the next financial framework;

– strengthen the performance-monitoring framework by a) ensuring that AMIF EMAS projects contain output and outcome indicators with clear targets and baselines where appropriate, and justifying when this is not the case; b) monitoring and reporting the outcomes achieved by EMAS-funded projects; c) for the new MFF 2021-2027, designing the AMIF CMEF and IMBF indicators, including their baselines and targets before the 2021-2027 projects start;

– implement measures to ensure complementarity and better coordination between AMIF and EASO/Frontex (e.g. in the area of forced returns or support to asylum authorities);

– use development aid as a tool to facilitate better cooperation with migrants' countries of origin[1];

431. Calls on the Commission to fully comply with the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management[2] as a matter of compliance with the Union's legal provisions and good governance principle.

DG HOME's AAR for 2019

432. Notes that DG Migration and Home Affairs has maintained two reservations in shared management (one for the AMIF and the ISF, and one for the SOLID Funds for the period of 2007-2013, which are each under reservation as regards several Member States) and one reservation in direct management grants because of a material level of error amounting to a residual error rate of 4,11 % and an estimated impact of EUR 7,21

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1 European Parliament resolution of 25 November 2020 on improving development effectiveness and the efficiency of aid (2019/2184(INI))

2 Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (OJ C 373, 20.12.2013, p. 1) replaced as of 16 December 2020 by Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433 I, 22.12.2020, p. 28).

million; notes that, according to the Commission 2019 Annual Activity Report, the average residual error rate across AMIF and ISF is 1,57 %, well below the material threshold of 2 %; expresses its concern about the implementation of the emergency assistance project 'Reinforcement of border control activities at the external border section of Croatia due to increased migratory pressure' running from September 2018 until the end of 2019 and notes the opening of CASE 1598/2020/MMO by the European Ombudsman on 'how the European Commission monitors and ensures respect for fundamental rights by the Croatian authorities in the context of border management operations'; notes the emphasis that the Commission has put on the establishment of an independent monitoring mechanism, as stipulated in the grant; notes further that the Commission is working closely with Croatia, which has indicated its intention to implement this independent monitoring mechanism; recalls that Union funding instruments for border management require all actions funded to respect and comply with the Charter of Fundamental Rights; insists therefore that any future emergency assistance related to border management granted to Croatia should be granted only after the monitoring mechanism is implemented; asks the Ombudsman to provide Parliament with regular updates on CASE 1598/2020/MMO;

433. Welcomes the recommendations issued by the Internal Audit Service of the Commission for DG HOME for 2019 such as:

- setting up and planning of DG HOME's audit activity (define and communicate the mission statement and mandate of the audit function, adjust roles and responsibilities, reporting lines and milestones for the clearance of accounts exercise; updating the audit strategies; analysing the resource needs for the audit activity);

- executing the audit plan (plan and launch audits as soon as possible in the year after the adoption of the Annual Work programme and review of annual control reports and audit opinions; harmonising milestones for the audit process steps; ensuring that the final audit reports are sent to beneficiaries without delay and that this is monitored by senior management);

- clearing of accounts (ensure that clearance decisions are made on time; it should clarify the procedure for accounts submitted before the year-end); adapting the clearance procedure to new organisational structure and improving the communication between financial units and audit sector (set-up and planning of the audit activity; execution of the audit plan; clearance of accounts);

DG JUST's AAR for 2019

434. Underlines that DG Justice and Consumers (DG JUST) has maintained its reservation for a material error rate in grants under direct management, amounting to a residual error rate of 2,65 %; notes the Commission's commitment to adapt its methodology for the calculation of the grants in the Rights, Equality and Citizenship programme and the Justice programme error rate in line with the Court's observations starting with the implementation of the 2020 ex-post audit campaign;

435. Welcomes the ongoing implementation by the DG JUST of recommendations issued by the Internal Audit Service of the Commission for DG JUST relating to the impact assessment process and implementation of better regulation guidelines and toolbox;

Global Europe

436. Notes that payments for 'Global Europe' amounted to EUR 10,1 billion in 2019 and were disbursed through the following special instruments:

- 'Development Cooperation Instrument (DCI)', up 26 % of the 'Global Europe' budget or EUR 2,6 billion;
- 'European Neighbourhood Instrument (ENI)', up to 20,6 % of the 'Global Europe' budget or EUR 2,1 billion;
- 'Instrument for Pre-accession (IPA)', up to 15,7 % of the 'Global Europe' budget or EUR 1,6 billion;
- 'Humanitarian aid', up to 20,4 % of the 'Global Europe' budget or EUR 2,1 billion;
- 'Other actions and programmes', up to 17,3 % of the 'Global Europe' budget or EUR1,7 billion;

437. Recalls that the main policy aims under heading 4 of the 2019 budget are among others the promotion of Union values abroad, such as democracy, rule of law and respect for human rights and fundamental freedoms and recalls the need for every Union funded action to respect those fundamental principles, welcomes the Court's finding about a generally positive trend in terms of poverty reduction, gender equality in education, number of agreements with neighbouring countries, expresses however concern in relation to the worsening trend in terms of consolidation of democracy, rule of law and political stability; strongly commends the efforts of civil society worldwide in promoting and defending human rights, especially at a time of shrinking space for civil society and the questioning of the universality of human rights and while underlining the principles of transparency and accountability in relation to the spending of public funds for civil society, stresses the importance of preventing bureaucratic overreach and the fuelling of unfounded suspicion;

438. Takes into account that the external action budget is implemented by the directorate-general for International Cooperation and Development (DG DEVCO), the directorate-general for Neighbourhood Policy and Enlargement Negotiations (DG NEAR), the directorate-general for Civil Protection and Humanitarian Aid Operations (DG ECHO), the directorate-general for Regional and Urban Policy (DG REGIO) and the Service for Foreign Policy Instruments (FPI);

439. Notes that the expenditure under this area was disbursed using several instruments and delivery methods, such as work, supply and service contracts, grants, special loans, loan guarantees and financial assistance, budget support and other targeted forms of budgetary aid in more than 150 countries around the world;

440. Notes that the Court examined a sample of 68 transactions: 22 for DG NEAR, 25 for DG DEVCO), 10 for DG ECHO, and 11 other transactions; and seven transactions from the DG NEAR's and DG DEVCO's 2019 residual error rate studies, adjusted to compensate for their methodological limitations;

441. Notes that the Court found that EU aid helped to restore and maintain access to safe and good-quality education during humanitarian crises. Welcomes the relevance of projects regarding the problems identified. Notes that projects were able to achieve most of their objectives. Support the Court's recommendation and calls the Commission to finetune its support for education in emergencies in order to reach a good level of efficiency and relevance

442. Recalls that development and cooperation policy are meant to eradicate poverty and reduce inequality and that funds should reach only their intended beneficiaries;

443. Insists on the importance of the European Parliament's active participation in the development of partnership and cooperation agreements with third countries; stresses that future partnership agreements should be subject to parliamentary scrutiny and based on the principles of solidarity, shared responsibility, respect for human rights, the rule of law and international humanitarian law[1];

444. Is concerned about the hate speech and violence taught in Palestinian school textbooks and used in schools by UNRWA; is concerned about the effectiveness of UNRWA's mechanisms of adherence to UN values in educational materials used and taught by UNRWA staff in its schools, which contain hate speech and incitement to violence; insists that UNRWA acts in full transparency and publishes in an open-source platform all its educational materials for teachers and students, as well as its reviews of host country textbooks used to ensure that content adheres to UN values and does not encourage hatred; requests that all school material, which is not in compliance with these standards be removed immediately; insists that the earmarking of EU funding such as PEGASE for salaries paid to teachers and public servants in the education sector must be made conditional on educational material and course content complying with UNESCO standards of peace, tolerance, coexistence, and non-violence, as was decided upon by Union education ministers in Paris on 17 March 2015;

445. Reiterates its position that external assistance should be financed in full from the Union's budget and emphasises that actions under the trust funds (EUTFs) are only bridging solutions until their full replacement by the future EFIs, in particular the Neighbourhood Development and International Cooperation Instrument (NDICI) and the Instrument for Pre-accession Assistance (IPA III); regrets that humanitarian objectives, such as preserving the dignity and human rights of migrants and other vulnerable groups, such as children and women, have not been met in the implementation of actions under the TFs such as EU TF Madad and EU TF for Africa in several instances; emphasises that the protection of human rights requires decisive action; recalls furthermore that the respect for human rights, fundamental freedoms, the promotion of the rule of law, democratic principles, freedom of religion and belief, transparency, good governance and peace and stability are essential elements of the EU TF for Colombia; calls on the Commission to increase scrutiny of the actions of the implementing partners in this regard.

446. Recalls that poverty alleviation is the primary goal of the development policy of the Union and that official development assistance (ODA) should have as its main objective

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1 DEVE opinion on "human rights protection and the EU external migration policy", paragraph 17

the promotion of the economic development and welfare of developing countries, as per the OECD's ODA definition; emphasises that ODA should support the pursuit of the Sustainable Development Goals (SDGs), respect the principles of the UN 2030 Agenda, including its "leave no one behind" principle, respect the development effectiveness principles and contribute to reduce inequalities, without exception for migration-related ODA or when any particular aid modality is used; calls for a more efficient and transparent allocation of ODA loans, ensuring that ODA goes where it is most needed and has the greatest development impact;

447. Stresses the need to link debt relief measures with additional mobilisation of ODA; believes equally that debt relief efforts should be complemented by increased resources from the multilateral lending agencies, including through raising IMF Special Drawing Rights;

448. Notes that ODA needs are influenced by countries' domestic resource mobilisation, which is undermined by base erosion and profit-shifting (BEPS) by multinationals; recalls that developing countries' higher reliance on corporate income tax means they suffer from BEPS disproportionately; calls for more active Union action against that, in accordance with the Addis Ababa Action Agenda on Financing for Development included in the 2030 Agenda; stresses the need for concrete actions to support increased domestic resource mobilisation, such as supporting the fight against corruption and the development of progressive tax systems, tackling tax avoidance and evasion;

449. Recalls that the agricultural, fisheries, trade, economic, education, migration, environment, climate, foreign and security and other policies of the Union influence the efficiency of the development policy of the Union; notes that policy coherence for development (PCD), mandated by Article 208 TFEU, is therefore also a matter of sound financial management; recalls that aid effectiveness depends upon the proper implementation of PCD; stresses that more efforts are still needed to comply with PCD principles, especially in the above mentioned fields in order to achieve aid effectiveness objectives; invites the Commission to act upon the recommendations in the 2018 external evaluation report[1] on PCD, demonstrating commitment and assigning sufficient staff to PCD tasks in order to ensure a result-oriented strategy and progress in PCD;

450. Stresses that, in order to make development aid more effective, deliver long-lasting results and address local needs, particularly in settings of protracted crisis and post-crisis, it is imperative to improve the coordination of humanitarian aid and development assistance and to strengthen the humanitarian-development nexus; calls for the Union to further develop such an approach;

451. Welcomes the Court's Review of "the EU's response to China's state-driven investment strategy" of September 2020; emphasises that the Court identified shortcomings in the monitoring, reporting and evaluation of actions within the current Union-China strategy including Union financing of projects under the Chinese investment strategy which are not in line with the principles of the Union's connectivity strategy; calls for the provision of further necessary financial and human resources for the implementation of

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1 https://ec.europa.eu/international-partnerships/external-evaluation-eus-policy-coherence-development-2009-2016_en

the Union's connectivity strategy;

452. Notes with concern the complicated situation in Belarus; underlines the importance of reviewing Union funding and ensuring that it is not directed to Lukashenko regime, but towards supporting civil society in Belarus;

453. Looks forward to the 2021 Union-African Union Summit; considers that there is a need to move beyond a traditional aid-centred relationship towards a partnership of equals, that is more strategic and integrated;

The Court findings: DG NEAR

454. Welcomes the fact that transactions related to budget support and projects implemented by international organisations under the 'notional approach' were less prone to error and that in 2019 the Court did not detect any errors in these areas; takes note that, in relation to the regularity of transactions, the spending area of budget support to third Countries is less prone to error; nevertheless take notes that because of the legal provisions which leave a broad scope for interpretation by the Commission regarding the meeting of general conditions, the Court 'cannot cover what happens beyond the moment the Commission pays aid to the recipient country, since these funds then merge with that country's own budget resources'; notes that this risks undermining the level of accountability and transparency of Union action and spending; insists that the Commission ensures that the delivery of external aid is subject to the rule of law and respect for human rights in recipient countries; stresses, in particular, the need to guarantee that countries and third parties and/or natural persons, that are allocated or linked to Union funds adhere to core democratic values, respect international human rights standards and subscribe to principles of non-violence;

455. Calls on the Commission to fully introduce the principle of conditionality and regular ex-ante and ex-post checks on the regularity and performance of the Union's funds for support to third countries and ensure a legal framework that provides for these support instrument to allows for full recovery of funds in case of discovered irregularities[1];

456. Notes with concern, as to the DG NEAR residual error rate study, that, according to the Court:

- The residual error rate methodology and manual provided by DG NEAR contain limitations that may contribute to the underestimation of the residual error, such as insufficient coverage of certain aspects of procurement procedures (reasons for rejecting unsuccessful candidates, the winning tender's compliance with all selection and award criteria, complete check of the call for proposals procedures, direct award justification)[2];

- The 'grant [error] rate' for direct management of grants is calculated on a basis of a confidence level of 80 % meanwhile normally error rates are calculated on a basis of 95 % of confidence level;

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1 OJ C 377, 9.11.2020, p. 13, p. 211 of the report.
2 OJ C 377, 9.11.2020, p. 13, p. 213 of the report

– DG NEAR's residual error rate estimation method gives the contractor broad scope for interpretation in estimating individual errors (especially in case of absence of documents for a transaction);

– In 2018 and 2019 reliance of half of the sampled transactions has been attributed on a basis on previous controls, meanwhile the Court recalls that such approach does not fully measure the residual error rate[1];

457. Is worried that the court continues to have reservations about the reliability of the study's results;

458. Notes with concern that DG NEAR, in its 2019 Annual Activity Report, had to issue a reservation concerning the difficulties in monitoring adequately all projects in Libya and Syria (non-quantified reservation) and a reservation concerning the errors in expenditure in Direct Management Grants (quantified reservation);

459. Notes that no estimate of the level of error rate for spending under heading 4 has been calculated for 2019 by the Court as was also the case in 2018; emphasises that the Court has identified limitations which may lead to an underestimation of the residual error rate (RER); fully supports the recommendations formulated by the Court, in particular the need to disclose the limitations of the RER study in DG NEAR's future annual activity reports, as well as strengthening DG NEAR's checks of the external financing instruments' (EFIs) by identifying and preventing recurrent errors;

460. Takes note of the Court's follow-up on its recommendations made in its 2016 annual report, which either required immediate action or were due to be implemented by 2019 and welcomes the fact that the Commission had implemented three of them in full and one partially;

461. Regrets that despite the call by Parliament on the Commission in its resolution on 13 March 2019 to use the funds currently allocated under the IPA II to support Turkey's civil society, human rights defenders and journalists and increase opportunities for people-to-people contacts, academic dialogue and media platforms for journalists through a dedicated envelope directly managed by the Union, the latter decided to implement action IPA 2019/42258 co-financing the purchase of 4 Turkish Coast Guard vessels; furthermore insists on the need to closely monitor the use of funds of the Facility for Refugees in Turkey, ensuring that these funds are accurately targeting refugee projects and that they are not used for any other purposes;

Court's Special Report No 09/2019: EU support to Morocco - Limited results so far

462. Notes that the Union budget support in Morocco totalled about 0,37 % over the period of 2014-2018 of the country's total budgetary expenditure, where the contracts amounted to EUR 562 million and payments to EUR 206 million; recalls that Morocco receives more Union development support than any other North-African country, except Tunisia, and is one of the main beneficiaries of international development aid;

463. Recalls that the ENI is the key financial instrument used by the Commission in its

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[1] OJ C 377, 9.11.2020, p. 13, p. 214 of the report.

cooperation with Morocco and amounts to EUR 1 399 million for 2014-2020 period in commitments;

464. Points out that after the judgement of the General Court of the Union in December 2015 on Western Sahara, Morocco suspended political dialogue covering all Union external policies such as development policy, trade, foreign and security policy from December 2015 until January 2019; notes the Commission's comments to Special Report No 09/2019 that as "policy dialogue was never suspended during the period of difficult political relations between the Union and Morocco, the Commission considers there were no grounds to develop an alternative strategy";

465. Underlines that Morocco is a long-standing and strategic partner and neighbour of the EU with fruitful cooperation leading to positive results;

466. Notes that the Court identified several challenges to the effectiveness of Budget Support:

- sub-optimal focus and design of the support (i.e. funding covered too many areas, the Commission had not developed a clear strategy for future relations with Morocco during suspension of political dialogue, uneven donor coordination, budget support programmes not designed to maximise impact);

- difficulties in implementing support (i.e. delays, poor results assessment by Commission);

- absence of significant impact for budget support programmes (i.e. less than half of budget support targets met in health, social protection, justice etc.);

467. Calls on the Commission to:

- strengthen the focus of Union budget support in Morocco, namely apply a more transparent and better documented method to allocate amounts to sectoral budget support programmes and continue to monitor the performance;

- improve the design of target and performance results;

- improve policy dialogue strategy, specifically to assess the achievements of the policy dialogue strategy and to apply a clear and appropriate definition of the objectives and expected results of the dialogue;

- enhance disbursement verification procedures, specifically to apply appropriate calculation methods and to disburse funds only when there is reliable evidence that the target has actually been achieved;

- improve monitoring procedures, such as to strengthen the assessment of sectoral strategies and to monitor their implementation using the indicators of the sectoral strategies;

- thoroughly verify the use of Union funds by third entities, their affiliates, and/or natural persons to ensure that no funds are allocated or linked to any cause or form of terrorism and/or religious and political radicalisation; and to ensure that

these Union funds are proactively recovered, and recipients involved are excluded from future Union funding;

468. Recalls the importance of the promotion of Union values abroad, such as democracy, rule of law and respect for human rights and fundamental freedoms; thus calls the Commission to use Pre-Accession Fund to support democratic transformation and ensure the proper implementation of public policies and judicial reforms in the Western Balkans;

469. Takes note of the Commission's replies to Special Report No 09/2019, particularly that the Commission concludes that Union cooperation has contributed to the implementation of reforms in Morocco, which had a positive impact on the country's socio-economic development;

Court findings: DG DEVCO

470. Notes that DG DEVCO implements most of the external aid instruments financed from both the Union general budget and the EDFs; takes note that the Court presented within its annual report on the activities funded by the 8th, 9th, 10th and11th EDFs for the 2019 financial year its observations on systems, there liability of the AAR and the director-general's declaration for 2019 which refer to DG DEVCO's entire area of responsibility:

- The expenditure under the 8th, 9th, 10th and 11th EDF recorded in 2019 is materially affected by error; according to the Court the estimated level of error is 3,5 %;

- 43,6 % of the estimated level of error came from expenditure not incurred (i.e. commitments presented as expenditure or claimed expenditure calculated incorrectly);

- 22,1 % of the estimated level of error came from serious failure to respect public procurement rules (i.e. unjustified decision by the evaluation committee);

- 12,7 % of the estimated level of error came from ineligible expenditure (i.e. significant raise of local staff salaries after the contract's conclusion);

471. Notes the Court's observation that the Commission and its implementing partners made more errors in transactions relating to programme estimates, grants, contribution agreements with IOs and delegation agreements with Member States' cooperation agencies than they did with other forms of support (such as those covering works, supply and service contracts), of the 65 transactions of this type 25 (38 %) contained quantifiable errors, which accounted for 71,7 % of the estimated level of error; takes note of the Court's opinion that the DG DEVCO's RER study does not constitute an assurance engagement or an audit; notes that it is based on the RER methodology and manual provided by DG DEVCO; observes that the Court outlines four major factors affecting the RER used by DG DEVCO such as limitations in checks on public procurement procedures, a very low number of on-the-spot checks in the country of project implementation, DG DEVCO's residual error rate estimation method itself and partial or full reliance on previous control work; takes note of the Court's observation that the director-general's declaration of assurance in the 2019 AAR does not include

any reservations, as the two reservations remaining in 2018 have been lifted and no new ones have been issued, before lifting these reservations in 2019, DG DEVCO had significantly reduced their scope (i.e. the share of expenditure covered by them) in 2017 and 2018, which consequently does not give a true and fair view of the risks in DG DEVCO's overall area of responsibility;

472. Welcomes the Court's finding about a generally positive trend in terms of poverty reduction, gender equality in education, number of agreements with neighbouring countries, expresses however concern about the worsening trend in terms of consolidation of democracy, rule of law and political stability

473. Reiterates its concerns that the increase use of financial instrument to deliver EU policies in third countries undermine the level of accountability and transparency of Union action; insists that the Commission ensure that the delivery of external aid is subject to the rule of law and respect for human rights in recipient countries[1];

474. Expresses its deep concern about the misuse of development funds for actions that result in the violation of human rights in border management; deplores the reported human rights violations linked to the EU Emergency Trust Fund for Africa (EUTF) in Libya, Ethiopia, Eritrea and Niger; calls for the creation of strong mechanisms to monitor the human rights impacts of the EUTF, as well as an accountability system to prevent and deal with breaches of international law;; reiterates the need for a thorough investigation into the alleged human rights abuses, including those at EU borders; deplores the fact that the Commission's report on the extension of the EUTF did not envisage any improvement in this field, and request that guarantees on the respect of fundamental human rights should be provided when dealing with the extension of EUTF[2];

Performance of European Neighbourhood Instrument (ENI) and of Development Cooperation Instrument (DCI)

475. Recalls that the ENI's budget for the 2014-2020 MFF is approximately EUR 17 billion . Overall, by end of 2019, the Commission had committed 85 % of this allocation and spent 42 %;

476. Recalls that the DCI's budget for the 2014-2020 MFF is approximately EUR 20 billion. Overall, by the end of 2019, the Commission had committed 84 % of this allocation and spent 40 %;

477. Notes that according to the performance review of five DCI projects and three ENI projects the Court identified that three of the DCI projects had suffered from performance issues: two had experienced implementation delays and will therefore not deliver all their planned outputs and results by the relevant deadline, while one had not set any target to measure its performance, however, none of the ENI projects had

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1 Para 32 of the European Parliament resolution of 14 May 2020 with observations forming an integral part of the decisions 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))

2 DEVE opinion on "human rights protection and the EU external migration policy", paragraph 13

suffered from performance issues;

478. Notes that the indicators in the Commission´s high-level performance reports revealed a generally positive trend in terms of poverty reduction, gender equality in education, number of agreements with neighbouring countries and human development; regrets that the indicators showed a worsening trend in terms of consolidation of democracy, rule of law and political stability;

479. Points out that these indicators did not provide information on the performance of the programmes themselves, but rather on the context in which they operated; stresses that the mix of indicators used did not clearly illustrate the extent to which the programmes were delivering their expected outputs and results, and how these, in turn, were contributing to the achievement of the programmes' expected impacts;

Recommendations

480. Calls on the Commission to:

- disclose the limitations of the residual error rate study in DG NEAR's 2020 AAR and future AARs;

- develop quickly guidance and strong criteria to identify NGOs in its accounting system and to verify the self-declared data submitted by the applicants;

- propose a harmonized definition of NGOs and a specific control on the funds. Calls on the Commission to receive each year the list of the 50 largest beneficiaries;

- increase the confidence level DG NEAR uses in its methodology for calculating the grant rate to the same level applied to the rest of residual error rate population, to reflect more accurately the higher risk in the area of direct management grants by the end of 2021;

- strengthen DG NEAR's, DG DEVCO's, DG ECHO's, DG CLIMA's and FPI's checks by identifying and preventing recurrent errors (e.g. lack of time-recording systems and charging ineligible VAT to Union-funded projects) by the end of 2021;

- further improve by the end of 2021 the methodology and manual used for the residual error rate study to address the issues the Court has identified in its report, in order to make the error rate reported in the study more reliable;

- reintroduce reservations for all areas found to have a high level of risk, regardless of their share of total expenditure and their financial impact;

- thoroughly verify the use of Union funds by third entities, their affiliates and/or natural persons to ensure that no funds are allocated or linked to any cause or form of terrorism and/or religious and political radicalisation; and to ensure that these Union funds are proactively recovered, and recipients involved are excluded from future Union funding;

– ensure that no Union funds support forced child labour;

– ensure that Union funds are not used for purposes different from the assigned areas;

– withhold or review their cooperation with third countries, including suspending specific funding and projects, which endanger the human rights of those affected, including where third countries do not fully respect the fundamental rights stemming both from the UN Convention of 1951 Relating to the Status of Refugees and the European Convention on Human Rights, have not ratified these conventions, or fail to comply with the SOLAS and SAR Conventions;

– provide an enhanced Parliament scrutiny when developing new partnership agreements with third countries, which should always be based on the principles of solidarity, shared responsibility, respect for human rights, the rule of law and international humanitarian law;

– provide detailed information on the decisions taken in the Operational Committees and ensure that Parliament is represented at its meetings;

481. Reiterates its request to the Commission to execute fully and without any further delay the judgement of the Court of Justice (31/1/2019) regarding International Management Group (IMG); urges the Commission to consider again IMG as a suitable contractor for projects in crisis situation countries, where this organisation has proven its efficiency in managing reconstruction and assistance programmes financed by European entities and Member States over more than 20 years;

482. Highlights the importance of increasing visibility, transparency, effectiveness, complementarity and accountability of the Union external financing instruments in light of their current restructuring; points to the fact that the ENI's performance has been more successful in the EU's Eastern neighbourhood, and in this light, calls for increased efforts be directed towards the EU's Southern neighbourhood in order to address the challenges it faces;

483. Calls for more analysis from the Commission on the development effectiveness of private investment subsidisation and de-risking, given the reported shortcomings of the blending and guarantee mechanisms, in particular in the recent opinion of the Court No 7/2020, related to the Commission's report on the implementation of the European Fund for Sustainable Development (EFSD), which concludes that it is impossible to assess the contribution of EFSD to the SDGs or the Paris climate agreement and to demonstrate that relevant investments would not have occurred without the Union's contribution, in other words: to demonstrate financial additionality of the EFSD; recalls that without demonstrating financial additionality, the Union is in violation of WTO regulations regarding subsidisation of the private sector and is potentially wasting taxpayer resources; emphasises that choices of aid modalities should be guided by the prospects for effectiveness in relation to relevant policy objectives, in accordance with the "policy first" principle; invites the Commission and the EEAS to ensure that; considers that the Commission and the EEAS should prioritise sectors with the potential to attract foreign direct investment, create jobs and grow exports, and actions supporting good governance, structural reforms, economic diversification and fight against corruption; stresses the need for donors to prioritise grant-based financing as the default

option, especially in relation to least developed countries, and for not favouring loans that could increase the burden of debt over grants; underlines that debt relief might have a crucial impact on poverty alleviation; stresses that aid programmes should be combined with an analysis of debt sustainability; calls for Union work on a specific initiative on debt relief for highly indebted poor countries; reiterates that development assistance in the form of cooperation with the private sector must respect the UN Guiding Principles on Business and Human Rights, relevant ILO standards and the OECD Guidelines for Multinational Enterprises; stresses that good governance, poverty reduction, and wealth creation through sustainable investment, as well as reduction of inequalities, promotion of human rights and environmental standards and empowerment of local economies need to be ensured;

484. Calls on the Commission to systematically monitor the reforms undertaken and results achieved, demonstrating that Union budget support has effectively contributed to African, Caribbean and Pacific countries own development agenda and strengthened its democratic ownership;

485. Calls for more accountability and efficiency in Union development spending, as development outcomes shall not be only defined but also scrutinised and monitored in terms of tangible results and development impacts.

486. Calls for more independent and publicly available assessments of Union civilian and military security and military measures, in particular Union military training missions, capacity building of military actors in third countries (CBSD via IcSP), and border and migration management measures, and deplores the lack of flexibility in the administrative and budgetary/financial procedures concerning civilian Common Security and Defence Policy (CSDP) missions; reiterates its opinion that the Commission should introduce specific procurement rules to the crisis management measures under the CSDP in order to facilitate the rapid and flexible conduct of missions;

487. Invites the Commission to assess the legality of withdrawing the budgetary function from Parliament through the Council decisions on establishing the EDA and PESCO; recalls that the relevant Articles 45(2) and 46(2) TEU provide for the decisions to be adopted by a qualified majority without a veto provision; recalls that the withdrawal of the budgetary function of the EP under Article 42 TEU is possible for the operating expenditure only and requires a unanimous decision by the Council;

488. Considering that the EIB is a major player in the implementation of Union external policies, with 10 % of its loans outside the Union, reiterates the longstanding demands of Parliament that the Court be empowered to audit all EIB operations, and that these audits be carried out;

Administration

489. Notes that payments for ‘Administration’ amounted to EUR 10,4 billion in 2019 (6,5 % of the MFF), of which the budget of the Commission represents 57,9 % or EUR 6,1 billion;

490. Notes that administrative expenditure comprises expenditure on human resources, accounting for about 60 % of the total, and on buildings, equipment, energy,

communications and information technology, which is considered by the Court as a low-risk spending;

491. Notes that concerning the Commission, several errors relating to staff costs and the PMO's management of family allowances were found;

492. Notes that the Court also examines the regularity of the information in the annual activity reports of the Commission, including those of its directorates-general and offices primarily responsible for administrative expenditure; welcomes that the annual activity reports reviewed did not identify material levels of error;

493. Invites the Commission to take appropriate measures to implement all of the Court's recommendations and to report to the Parliament on the developments;

European Schools

494. Notes with satisfaction that the Court mentions that the quality of the accounts has improved compared to previous years; notes with concern that the Court is unable to confirm that the Schools' financial management in 2019 was compliant with the Financial Regulation of the European Schools and the Staff Regulations due to weaknesses revealed in the internal control systems of the Central Office and of the two Schools selected; urges the European Schools to swiftly follow up on the recommendations of the Court concerning the specific weakness founded in accounting, procurement and recruitment;

495. Emphasizes, with regard to the European schools, the importance of respecting the annuality principle and the rules for taking physical inventories when performing the cut-off at the end of the year and of respecting payment deadlines, procurement rules and transparency in recruitment procedures.

Recommendations

496. Calls on Commission to:

- harmonise its support for Category I pupils, i.e. children of officials, who choose to enrol in an accredited European School (at present, some civil servant families, depending on the town or country they live in, do not receive funding to enrol their children in accredited schools which do, however, give access to the same baccalaureate);

- resolve the inequality of funding between Category I pupils enrolled in the accredited Schools which results from the situation where they are sometimes substituted for the Type I European Schools and sometimes placed latter in unequal and unjustified competition depending on the school market in which they operate;

- intervene to resolve the important problems currently raised by the so-called "Cost Neutrality" policy (cf. document 2018-10-D-63-en-5), which stipulates that accredited schools should not weigh financially on the traditional European School system, but should on the contrary contribute to the costs generated by the

system in place[1];

Human Resources

497. Acknowledges the Court's observation that the adoption in 2014 of the revised Staff Regulations was accompanied by a commitment by the institutions and bodies gradually to reduce the number of posts (officials and temporary staff) in their establishment plans by 5 % before 2018 compared with the situation in 2012;

498. Takes note that the 2014 reform of the Staff Regulations brought savings of 4,2 billion on the 2014–2020 MFF, which represents 0,4 % of the overall MFF; recalls that the 2014 reform generated unquestionable negative effects on the staff, which was confirmed by the Court [2]in 2019, and regrets that it is nearly impossible to know their financial cost in order to have a realistic image of the savings; notes the several policies and actions designed by the Commission to help mitigate the negative effects and expects that the lessons learned will be reflected on the Commission's new HR Strategy to be adopted in 2021; reiterates the serious consequences that any budgetary cut in administration or staff reduction may have in the future of the European civil service and the implementation of the Union's policies;

499. Takes note that the Commission is investing in data mining of its IT medical system to overcome the absence of data on burnout cases; strongly encourages the Commission to prevent, identify and manage burnout cases in the larger context of staffing, workload and staff well-being in its Human Resources (HR) strategy;

500. Is concerned that no temporary measure has been designed by the Commission to mitigate the growing problem of the purchase power disparity suffered by the European civil servants posted to Luxembourg; points out, as a relevant example, that 16 out of 200 suitable candidates selected by the EPPO have declined the job offer on account of the salary not being high enough to live in Luxembourg; emphasises that it expects concrete proposals in the report on the salary method due by 31 March 2022;

501. Supports the Commission's intention to update the approach set out in its Communication of 2019 "The Workplace of the Future in the European Commission" in the light of the COVID-19 crisis; expects the Commission to take into account on an equal footing the efficient use of office spaces and the health and well-being of the staff;

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1 This provision poses problems at several levels. Firstly, the Central Office as well as the entire budget devoted by the Commission to the European Schools is a public service which has already been paid for by the Member States and taxpayers through them. Secondly, as the overall functioning of the accredited Schools is self-financed and not experiencing any intervention by the Commission, the claim that they represent an additional cost for which they should be accountable seems to be counterintuitive. Allowing the opening of the European Baccalaureate system and the schooling of children of European officials at a much lower cost than the type I European Schools, their development should instead be integrated into the Commission budget and under no circumstances be subject to taxation which would hamper their development and the substantial savings they generate for the benefit of the Union.

2 European Court of Auditors' Special Report No 15/2019: Implementation of the 2014 staff reform package at the Commission - Big savings but not without consequences for staff.

reiterates that staff representatives shall always be involved in substantial changes in work arrangements and spaces;

502. Welcomes that the Commission adopted an action plan for equality and diversity in 2018 and its implementation in 2019; welcomes that specific actions were added in response to the staff survey; calls on the Commission to follow the same path with more specific measures with regard to the people awarded with internships in the Commission;

503. Agrees with the Commission's statement that "different cultural, social and professional expectations of men and women continue to exist with regard to the balance between paid work and unpaid (care) work"; notes with appreciation the Commission's efforts to raise awareness on the measures that exist to enable a work-life balance such as courses for parents and the publication of positive examples in the Commission's intracomm;

504. Notes with appreciation that the Commission (2014-2019) met the target of 40 % of women in management functions by the end of its mandate in 2019; reminds the Commission (2019-2024) that in 2019 its President committed to reach gender equality at all levels of management by the end of the current mandate and reiterated this commitment in her mission letter to Commissioner for Budget and Administration;

505. Takes note of the new guidelines for the implementation of aid for persons with a disability drafted in 2019 to financially assist staff and their dependant for non-medical costs linked to their independence, social integration and physical, mental, social and vocational ability; notes that the guidelines came into force in May 2020;

506. Notes that in 2019 the number of cases for social-financial support increased by 28 % compared to 2018; notes with appreciation that the disability funds used increased by 50 % in comparison with 2018 (from approximatively EUR 2 to 3 million);

507. Takes due note of the Court's observations and recommendations regarding the European Personnel Selection Office[1]; welcomes that the selection process is broadly effective for large-scale competitions but expresses its concern that the selection process is not adapted to small-scale, targeted competitions, which are those most suited to the current recruitment needs of the EU institutions; calls on the Commission to timely report on the implementation of those recommendations by the EPSO;

508. Notes that over the period from 2012 to 2018 the institutions and bodies, excluding the European Ombudsman and the EDPS, had reduced their establishment plans by 1 409 posts (3 %) and at the same time gradually increased the employment of contract staff; notes, in this regard, that the proportion of contract staff in total workforce forecasts rose from 17 % to 22 %; expresses its concern as regards the possible negative effects of replacing officials with contract agents such as the necessary transfer of knowledge as well as its loss when their contracts expire and also the perspective and job security of the contract agents;

509. Points out that the increase of contract staff reflects the impact on staffing levels of new

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1 Court's Special Report No 23/2020 "The European Personnel Selection Office: Time to adapt the selection process to changing recruitment needs".

tasks stemming from rapidly evolving priorities, such as the implementation of new programmes delegated by the Commission to the executive agencies which was neutral in budgetary terms and in terms of Commission staff transferred; notes the Court's observation that the increase in contract staff was also a response to special or urgent situations;

510. Regrets that, for some institutions, there was an increase in FG I contract staff as a result of the conversion of permanent and temporary posts for clerical/secretarial assistants into contract staff;

511. Takes note that at the end of 2018, the institutions, bodies and executive agencies employed 11 962 contract staff, (representing an increase of 37 % since 2012); notes that most were employed by the European Commission;

512. Insists on the Commission to implement a more transparent appointment procedure for all positions especially the management related ones; calls on the Commission to clarify previous appointment procedure that lack of transparency and accountability;

513. Regrets the persisting geographical imbalances in the composition of the Commission staff, especially at middle and senior management levels; Calls on the Commission to establish a proper representation of nationals from all Member States, while at the same time respecting the competencies and merits of the candidates like indicated in the Article 27 of the Staff Regulations of Officials;

514. Underlines the important effect of turnover within the staff of the agencies of the Union, calls Commission to help them for the implementation of human and social policies to remedy it;

515. Points out that a complex approach is needed in order to make the European institutions' home pages accessible to persons with all kind of disabilities as foreseen in Directive (EU) 2016/2102, including the availability of national sign languages; suggests that organisations representing disabled persons are involved in this process;

516. Welcomes the Commission's efforts to build a more diverse and inclusive work environment and culture by taking actions in favour of people with disabilities, asks the Commission to assess the possibilities of further strengthening and integrating the principles of equal opportunities in recruitment, training, career development and working conditions as well as raising staff awareness of these aspects; and on the possible reasonable improvements and modifications of the institutions' buildings (access, adequate office equipment) for people with reduced mobility or other disabilities;

517. Welcomes the European Personnel Selection Office's achievements and the continual improvement in its practices in terms of reasonable accommodations for candidates with a disability and/or specific requirements. In 2019 EPSO developed a flyer, a braille flyer and an animated video to explain such adjustments to selection procedures that are offered to candidates with specific needs during selection procedures, which enabled 438 candidates with special needs to apply for the competitions and selections;

518. Reiterates its call on the Commission to make the Commission special advisers status more transparent with a clear definition of their tasks and missions;

519. With regard to the Commission College decision of 30 October 2019 to enable former Commission Presidents to carry out representational functions after the end of their mandate, takes note of the appointment of former President Jean-Claude Juncker as special advisors, and regrets that this function, despite being non-remunerated, will incur costs, in particular for missions, which is difficult for the public to understand; requests that the Commission provide details of the financial implications of its decision to Parliament, in order to enable Parliament to take this into consideration in future discharges;

520. Invites the Commission to pay great attention to its relationships with former Commissioners and to assess carefully the potential risks when doing so;

521. Reiterates its call on the Commission to enforce the existing legally binding rules of the code of conduct regarding revolving doors both for the Commission and its agencies;

522. Strongly supports the Court's recommendation that all Institutions work together to harmonise their ethical frameworks and to step up their efforts to share good practices;

523. Calls on the Commission to improve staff awareness and perception of ethical frameworks and culture; calls on the Commission to ensure, in particular, that training on ethics contains practical guidance based on real-life examples, and to improve the communication on ethics with staff; highlights the need to make sure that staff members know how to report any issues related to unethical behaviour, as well as to increase their sense of security;

General remarks

524. Acknowledges that 2019 was a year of transition for the Commission, as it had to secure the transition from the Juncker Commission and the preparation for the arrival of the von der Leyen Commission, as well as launching its new priorities;

525. Expresses its concern in relation to the Commission's decision to award a contract to BlackRock Investment Management to carry out a study on environmental, social and governance objectives; points to an inquiry by the European Ombudsman on the possibility for a conflict of interest[1];calls therefore on the Commission to update its guidelines on public procurement procedures;

526. Urges the Commission to introduce sustainability reporting, including social and environmental aspects of procurement; believes that by incorporating responsible business standards in its procurement and purchasing policies, the Commission can safeguard the public interest and ensure the accountability of public spending;

527. Encourages the Commission to continue building on the principles of its open source strategy[2] and the ISA2 Programme[3] in order to prevent vendor lock-in, retain control over its own technical infrastructure contribute to stronger safeguards for user's privacy and data protection and increase security and transparency for the public; asks the Commission to give preference to open source solutions in procurement and

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1 https://www.ombudsman.europa.eu/en/case/en/57060
2 https://ec.europa.eu/info/departments/informatics/open-source-software-strategy_en
3 https://ec.europa.eu/isa2/isa2_en

development, with the aim of promoting the sharing and re-use of software solutions, making procurement more sustainable and long-lived, and abiding by the ‘public money, public code’ principle;

528. Welcomes the inter-institutional cyber cooperation for which the Committee of the Regions and the European Economic and Social Committee receive the assistance of the Computer Emergency Response Team for the EU institutions, bodies and agencies; notes that many of the digitalisation projects concern the digitalisation of human resources and financial processes, where the Committees uses the SYSPER and ABAC systems provided by the Commission; asks the Commission to examine the possibility of negotiating better conditions to enhance and make the process of application sharing financially attractive;

529. Stresses the importance of DG Interpretation's efforts to facilitate interpretation into the 24 official EU languages and even the international sign language within the Commission and other EU institutions and bodies, encourages the Commission to help DG SCIC to further increase the availability and presence of the international sign language, to ensure access to information for persons with disabilities,

530. Is very concerned by the Commission decision to break the contract with the restaurant service provider, which led to the layoff of 400 workers; urgently asks the Commission to revise its decision and to explore any viable solution to protect the workers and avoid layoff, including the internalisation of the catering staff in-house;

531. Notes that many communications and documents are only available in English; notes also that working meetings are held without the possibility of interpretation; requests that the European Commission respects the principles, rights and obligations laid down in the Charter of Fundamental Rights and Regulation No 1/1958, as well as in internal guidelines and decisions, such as the Code of Good Administrative Behaviour; calls, therefore, on the Commission to provide the necessary human resources to ensure that multilingualism is respected, by increasing the number of staff responsible for translation and interpretation;

Ethical frameworks

532. Takes note of the Court’s conclusions and recommendations of its Special Report on “The ethical frameworks of the audited Union institutions: scope for improvement”; echoes the Court’s conclusion that “any unethical behaviour by staff and Members of EU institutions and bodies is unacceptable and, even if it is only alleged, attracts high levels of public interest and reduces trust in the Union. Unethical behaviour is also linked to the risk of corruption and fraud; regrets that room for improvement is still present for enforcing the ethical frameworks; in particular regrets that weaknesses were found on different issues, namely:

- procedures for verifying declarations and guidance for staff to avoid conflicts of interest are not sufficiently formalised; clear and extensive guidance about ethical requirements needs to be made available; the same applies to guidance on conflicts of interest arising from staff members’ financial interests, their post-employment activities, or their spouse or partner’s professional activity;

- limited scrutiny of Members’ declarations; as for the Member of the Commission,

the Court regrets the lack of standard written procedures for checking the accuracy, reliability or completeness of the information submitted in their declarations, creating a risk of obligations being interpreted inconsistently, so that the institution is less likely to identify inaccuracies and other issues before they attract public attention, potentially jeopardising public trust;

– ıncomplete and unclear policies on gifts and entertainment, with for the Commission the lack of definition of gifts and hospitality applicable to Members.

533. Welcomes that, to a large extent, the audited institutions have put in place for staff and Members adequate ethical frameworks with room for improvement; strongly supports the Court's recommendations such as harmonising the ethical frameworks and improving staff awareness;

534. Takes note of the second review of the Commission's internal guidelines in relation to the provisions on Whistleblowing in the Staff Regulations; takes note with satisfaction the 6 recommendations contained in the 2019 review and calls on the Commission to report on the implementation to the budgetary authority; welcomes the update of the whistleblowing page on MyIntracomm in May 2019 and the addition of a direct link to OLAF's whistleblowing procedure;

535. Requests a more proactive approach in term of protection of whistleblowers; considers particularly relevant the need to reinforce the cooperation between OLAF and the Appointing Authority responsible for adopting protective measures in those cases where applicable; also considers particularly important the recommendations to liaise with the EPPO to ensure an efficient collaboration and to exchange best practices in the field of reporting perceived illegal activities;

536. In term of protection of whistleblowers, esteems that a more uniform regulation among all Institutions, based on best practices and on higher standards would represent a much needed improvement;

537. Stresses the importance of reinforcing the Transparency Register and improving the quality of its data, in particular on the occasion of the Interinstitutional Agreement reached in December 2020; takes note of the quality checks performed by the Commission and the action of the Register Secretariat upon alerts received; calls on the Commission to improve the IT solution in order to perform stricter quality checks;

538. Highlight the importance of an effective and valid Transparency Register; reiterates its call on the Commission to pay more attention to the validation and sample checks of entities of in the Transparency Register; notes with concern the absence of a requirement for the vast majority of Commission decision-makers to publish their meetings with interest representatives; also expresses concern on the possibility for Commission decision-makers to meet with lobbyists not registered in the Transparency Register; calls for full transparency regarding all meetings organised by the Commission with private actors or their representatives, such as consultancy organisations;

539. Takes notes of the European Ombudsman's conclusions and technical suggestions for improvement in her Decision of 28 February 2019 on how the Commission manages 'revolving doors' situations of its staff members; calls on the Commission to follow-up

on both the Ombudsman's decision and the Court's relevant recommendations in its Special Report on the ethical frameworks of the Union institutions.