

RESOLUTION (EU, Euratom) 2019/1411 OF THE EUROPEAN PARLIAMENT**of 26 March 2019****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 2017,
Section III — Commission and executive agencies**

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 2017, 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 2017,
 - having regard to Rule 93 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0110/2019),
- A. Whereas the Union budget plays a significant role for achieving Union policy objectives, although it represents only 1 % of Union gross national income;
- B. Whereas when the Parliament grants discharge to the Commission it checks whether or not funds have been used correctly and policy goals achieved;

Implementation of the 2017 budget and results achieved

1. Notes that in 2017 the Union budget was in the fourth year of implementation of the current Multiannual Financial Framework (MFF), and amounted to EUR 159,8 billion, including six amending budgets, and that the allocations in different areas were:
 - (a) EUR 75,4 billion for smart and inclusive growth;
 - (b) EUR 58,6 billion for support to the European agricultural sector;
 - (c) EUR 4,3 billion for reinforcing the external borders of the Union and addressing the refugee crisis and irregular migration;
 - (d) EUR 10,7 billion for activities outside the Union;
 - (e) EUR 9,4 billion for the administration of the Union institutions;
2. Underlines that the Union budget supports the implementation of the Union policies and the achievement of their priorities and objectives by complementing resources of Member States dedicated to the same purposes; notes in this regard the achievement of the following results:
 - (a) in 2017, Horizon 2020 provided EUR 8,5 billion of funding, which further mobilised direct additional investments, leading to a total of EUR 10,6 billion and funding to 5 000 projects;
 - (b) by the end of 2017, COSME provided financing to more than 275 000 small and medium-sized companies (of which 50 % were start-ups) in 25 countries that would otherwise have struggled to secure private financing due to their high risk profile;
 - (c) as regards the programmes' achievements reported by Member States up to the end of 2016, the implemented projects under the Cohesion Fund (CF) and the European Regional Development Fund (ERDF) had already delivered:
 - support to 84 579 enterprises, of which more than 36 000 are supported by financial instruments,
 - 10 300 jobs created along with 636 new researchers employed,
 - 41 800 households with an improved energy consumption classification and a 14,9 million kWh/year decrease in annual primary energy consumption of public buildings,
 - 2,7 million people benefitting from improved health services; 156 000 additional people served by improved water supply and 73 000 served by improved waste water treatment,
 - broadband access to 1 million additional households;

- (d) by the end of 2016, Rural Development Programmes contributed to the restructuring and modernisation of almost 45 000 agricultural holdings;
- (e) in 2017 the Asylum, Migration and Integration Fund (AMIF) supported the creation of over 7 000 additional places in reception centres; the number of places adapted for unaccompanied minors, an especially vulnerable migrant group, also increased from only 183 places in 2014 to 17 070 places in 2017; by the end of 2017, 1 432 612 third-country nationals had received integration assistance;
- (f) the Union provided more than EUR 2,2 billion in humanitarian aid in 80 different countries; Union humanitarian funding supported the education of over 4,7 million children caught up in emergencies in over 50 countries;

The Court of Auditor's Statement of assurance

- 3. Welcomes the fact that the Court of Auditors (the 'Court') gave a clean opinion on the reliability of the accounts of the European Union for 2017, as it has done since 2007, and that the Court concluded that the revenue for 2017 underlying these accounts was legal and regular in all material respects;
- 4. Notes that for 2017, the Court has issued for a second consecutive year a qualified opinion on the legality and regularity of the payments underlying the accounts, which according to the Court, indicates that a significant part of the 2017 expenditure audited by it was not materially affected by error and that the level of irregularities in Union spending has continued to decrease;
- 5. Welcomes the positive trend of a continuing decrease in the most likely error rate for payments determined by the Court in recent years, reaching an all-time low level of 2,4 % in 2017, which, regrettably, is still above the threshold of 2 % but represents an almost two-thirds' reduction in the most likely error rate estimated by the Court for the financial year 2007, which stood at 6,9 % for payments; notes, however, that payments continue to be affected by errors because the control and supervision system is only partially effective;
- 6. Notes that where payments were made on the basis of cost reimbursements (where the Union reimburses eligible costs for eligible activities), the Court estimates the level of error at 3,7 % (4,8 % in 2016), whilst the error rate for entitlement payments (which are based on meeting certain conditions) was below the materiality threshold of 2 %;
- 7. Notes that the Court audited transactions worth a total of EUR 100,2 billion, which represents less than two-thirds of the total budget for 2017, and that the area of 'Natural resources' makes up the largest share of the overall audit population (57 %), while in contrast to previous years, the weight of the area of 'Economic, social and territorial cohesion' is relatively small (around 8 %);
- 8. Regrets that the Court has not examined the level of error for spending under heading 3 'Security and citizenship' and heading 4 'Global Europe'; considers that, although the figures under these headings are relatively low, they are of particular political importance; stresses that the audit of a representative sample size from under these two headings is essential for a rigorous and independent evaluation of financial transactions, as well as for better oversight on the use of Union funds by the European Parliament, and calls on the Court to provide data on the error rate for payments under these headings in its next annual reports;
- 9. Points out that the Commission itself has noted that the improved error-rate performance for 2017 was due in large part to the score from the 'Natural Resources' area ⁽¹⁾;
- 10. Urges the Court, in its future reports, to present the error rate for fisheries separately from those for the environment, rural development and health, and not on an aggregate basis; notes that combining them makes it impossible to work out the error rate for fisheries policy; notes that maritime affairs and fisheries are not covered in sufficient detail in the Court's annual report and that a proper evaluation of financial management in those areas is therefore difficult; considers that, to increase transparency, in future, the Court's annual report should include a separate breakdown for the figures relating to DG MARE;

⁽¹⁾ Annual and Performance Report (AMPR) p. 81 — 'Compared to 2016, the main change is the significant decrease in Cohesion, Migration and Fisheries. In this policy area, the current 2014-2020 programmes are coming up to speed, which have an inherent lower risk given the newly introduced annual clearance of accounts and the 10 % retention mechanism on interim payments until all controls and corrective measures are implemented (see under "progress made" in Section 2.2)'.

11. Regrets that for the area of 'Competitiveness for growth and employment', to which transport belongs, the Court does not provide any comprehensive information regarding the audits performed for transport sector, in particular regarding Connecting Europe Facility (CEF);

Revenue

12. Notes that in 2017, the Union had own resources of EUR 115,4 billion and other revenue of 17,2 billion, and that the surplus carried over from 2016 was EUR 6,4 billion;
13. Notes with satisfaction the Court's conclusion that in 2017 revenue was free from material error and that the revenue-related systems examined by the Court were, overall, effective, but that some controls for Traditional Own Resources (TOR) were only partially effective;
14. Notes with concern that the Court's opinion is that there is necessity for improvement in the Commission's actions to safeguard Union revenue in order to address weaknesses in its management of the risk of under-valued imports in relation to TOR and in its verifications on the VAT-based own resource;
15. Expresses serious concern that these weaknesses may affect the Member States' contributions to the Union budget; calls, in this regard, on the Commission to:
 - (a) improve its monitoring of import flows, including making wider use of reasonable and legal data mining techniques to analyse unusual patterns and their underlying reasons, and act promptly to ensure that due amounts of TOR are made available;
 - (b) review the existing control framework and better document its application in verifying Member States' calculations of the weighted average rate (WARs) presented by the Member States in their VAT statements, which the Commission uses to obtain the harmonised VAT bases;
16. Notes with concern that for the second year in a row, DG Budget set a reservation on the value of TOR collected by the UK, due to the country's failure to make available to the Union budget customs duties evaded on textiles and footwear imports;
17. Welcomes the infringement procedure initiated by the Commission on 8 March 2018 as a follow-up to the UK customs fraud case, but, especially in light of the United Kingdom's decision to withdraw from the European Union and the increased difficulties this will impose on any collection process, regrets that it took the Commission more than seven years to launch this procedure after its request to the UK in 2011 to set risk profiles for under-valued textiles and footwear imports from China; points out that similar fraud networks operate in other Member States, leading to avoidance of at least 2,5 billion EUR in custom duties since 2015; calls on the Commission to approach such cases without hesitation and unnecessary delays in future; reaffirms the clear need for more cooperation between custom services in the Member States to avoid harm to Union and national budgets and to Union product standards; demands information from the Commission on which products reach the internal market without meeting Union product standards;
18. Regrets the discrepancies in the level of customs checks between the various Member States; highlights the importance of harmonising checks at all points of entry into the Customs Union and calls on the Member States to ensure coordinated, uniform and efficient implementation of the border system, discouraging divergent practices between Member States to reduce the number of existing loopholes in customs control systems; calls on the Commission, in this respect, to examine the various customs control practices in the Union and their impact on trade diversion, focusing in particular on Union customs practices at external borders, and to develop reference analyses and information on customs operations and the procedures used in the Member States;

Budgetary and financial management

19. Points out that in 2017, 99,3 % of the amount available for commitments was implemented (EUR 158,7 billion), but stresses that the executed payments were only EUR 124,7 billion, considerably lower than budgeted and than those in the corresponding year of the 2007-2013 multiannual programme period, mainly due to Member States submitting fewer claims than anticipated for the multiannual programmes of the 2014-2020 European Structural and Investment Funds (ESIF), as well as to the late adoption of the MFF and sectoral legislation; notes that this could create future risks for implementation of the budget if there is a large number of overdue payments at the end of the programming period; calls on the Commission to provide the Member States with the maximum support to improve their absorption rates;

20. Is deeply concerned that in 2017 the combination of high commitments and low payments increased outstanding budgetary commitments to a new record of EUR 267,3 billion (2016: EUR 238,8 billion) and that the Court projections indicate this amount will rise even more by the end of the current MFF, which may lead to a significantly increased risk of insufficient payment appropriations, but also to a risk of errors under the pressure for a swift absorption given a potential loss of Union funding; stresses the fact that the Union budget is not allowed to run a deficit and that the growing payments backlog in fact represents a financial debt;
21. Calls on the Commission to present a thorough analysis of why some regions still exhibit low fund absorption rates and to assess specific ways of remedying the structural problems underlying those imbalances; calls on the Commission to increase on-the-spot technical assistance to improve absorption capacity in Member States experiencing difficulties in this regard;
22. Recalls that the Court reported that the issue of whether to count special instruments within the ceilings for payment appropriations has not yet been resolved; considers that this could represent an additional risk of creating a payment backlog;
23. Calls on the Commission to improve the accuracy of the payment forecast and to use the lessons learned from the previous programming period in order to deal with the accumulated backlog in payments and avoid its negative effect on the next MFF and to present the Action Plan on reducing the payments backlog during the 2021-2027 multiannual financial framework;
24. Stresses its deep concern that the overall financial exposure of the Union budget has grown, with significant long-term liabilities, guarantees and legal obligations implying that careful management needs to be applied in the future; calls, therefore, on the Commission when presenting legislative proposals that include the creation or addition of sizeable contingent liabilities to accompany them with an overview of the total value of contingent liabilities supported by the budget, as well as with an analysis of stress test scenarios and their possible impact on the budget;
25. Regrets that the Union did not succeed to manage and respond adequately to both the financial and socio-economic crisis of 2008 (the case of Greece being an example given the recent apologies of the Commission expressed to this Member State) and the refugee crisis of 2015, which led to further deepening of divisions within the Union between North and South and East and West, to increased inequalities, as well as to growing mistrust among Member States;
26. Reiterates its request to add a budget line in future budgets of the Union dedicated to tourism in order to ensure transparency regarding the Union funds used to support actions for tourism;

SHARED MANAGEMENT

27. Points out that according to the Court, progress has been achieved in reducing the error rate in the spending areas covering 'Natural resources' (2,4 %) and 'Economic, social and territorial cohesion' (3 %), which come under shared management between the Commission and the Member States;
28. Notes that in 2017, the Court audited less expenditure than last year under the area of 'Economic, social and territorial cohesion' comprising payments worth EUR 8 billion;
29. Points out that similarly to 2016, eligibility errors (i.e. ineligible costs in costs claims, non-respect of agri-environment-climate commitments and ineligible projects, activities or beneficiaries) contributed most to the 2017 estimated level of error;
30. Takes into account that in the agricultural sector the amounts received by the beneficiaries are relatively small compared to other Union projects and therefore the administrative burden to prove correct use of money is proportionately higher;
31. Points to a recent Commission study, which demonstrated that between 2014 and 2017 the large majority of ESIF management authorities used SCOs (Simplified Cost Options) (64 % of European Agricultural Fund for Rural Development (EAFRD) Rural Development Programmes (RDPs), 73 % of ERDF-CF Operational Programmes (OPs) and 95 % of European Social Fund (ESF) OPs); in terms of projects, the number of projects using SCOs is 19 % for EAFRD, 65 % for ESF, 50 % for ERDF and 25 % for CF; considers that the use of SCOs could contribute to reducing the eligibility errors;

32. Stresses that simplifying Union legislation and reducing the administrative burden on farmers and other beneficiaries must continue in the future;
33. Notes that access to data and good monitoring especially of environmental aspects is essential for the future, considering that certain natural resources underpin long-term agricultural productivity, such as soil and biodiversity;
34. Observes that the Court found very few public procurement errors in 2017: less than 1 % (compared with 18 % in 2016), but notes that the reason for this could be the relatively low level of expenditure accepted under the ERDF and the CF, which have tended to be more prone to errors in public procurement; calls on the Commission and Member States not to weaken, but to continue strengthening their vigilance on the correct implementation of public procurement rules;
35. Sees the need to further clarify procurement procedures and relations with bidders in Member States as bidding procedures may have turned into semi legal procedures preventing fair competition and possibly allowing fraud; welcomes the 'single bidder' study of the Commission and the in-depth analysis 'Gaps and errors in the TED database' requested by the Parliament's Budgetary Control Committee; notes with concern their conclusions that the quality and reliability of TED data is highly problematic thereby limiting the analytical value of an analysis of public procurement data; asks the Member States to significantly improve their way of publishing public procurement information in TED; asks furthermore for a regular monitoring mechanism of single bidding;
36. Fully supports the position of the Court that its mandate does not imply reporting on individual Member States but presenting an audit opinion on the legality and regularity of the implementation of the Union's budget as a whole;
37. Nevertheless, draws attention to the reservations issued by the Commission services during the normal annual discharge procedures and the fact that every Member State performs differently in using the diversity of Union funds and that there are always areas where improvement is required; notes in this regard that for 2017 reservations were issued by:
 - DG AGRI concerning: AT, BE, BG, HR, CZ, DK, FI, FR, DE, HU, IT, PT, RO, SK, SI, ES, SE, UK,
 - DG MARE concerning: BG, CZ, IT, NL, RO,
 - DG REGIO concerning: BG, HR, CZ, ET, FI, FR, DE, HU, IT, LV, PL, RO, SK, SI, SE, UK,
 - DG EMPL concerning: AU, CZ, FR, DE, HU, IT, PL, RO, SK, UK,
 - DG HOME concerning: FI, DE, GR, UK;
38. In this sense, notes that although the services of the Commission did not issue reservations in 2017 for IE, LUX, M, CY, LT, in 2016 they issued for DG AGRI: IE, LT, M, CY, for DG EMPL: CY and for DG REGIO: IE;
39. Welcomes the progress made in implementing the 181 Greece priority projects:
 - (a) 119 projects with expenditure of EUR 7,1 billion are reported as completed;
 - (b) 17 projects with expenditure of EUR 0,5 billion are to be completed by March 2019 with national funds (additional EUR 0,53 billion estimated to be needed);
 - (c) 24 projects (EUR 0,8 billion) are phased into 2014-2020 where they are estimated to require another EUR 1,1 billion funding;
 - (d) 21 items with an estimated budget of EUR 1,1 billion have been cancelled;
 Sees a success story in the way the Commission supported Greece to implement and finish Union projects;
40. Notes with deep regret that, despite multiple warnings from the European Parliament, the Commission has reacted to the issue of the conflict of interest of the Prime Minister of the Czech Republic (the Czech PM) only after Transparency International Czech Republic filed a complaint against him in June 2018; is deeply worried that a Union legal document, dated 19 November 2018, pointed out that the situation of the Czech PM qualifies as a conflict of interest, because he could influence decisions on the use of Union funds from which companies linked to him ⁽²⁾ have benefited;

⁽²⁾ The Agrofert Holding is the single biggest group in Czech agriculture and food industry, second largest in chemistry and plays a significant role also in forestry, is an owner of the MAFRA Publishing Company, publishing some of the most popular printed and online media, such as MF DNES, Lidové noviny, iDNes.

41. In this regard calls on the Commission to investigate fully the conflict of interest of the Czech PM as demanded by the European Parliament's resolution of December 2018 and acts firmly on the results of its investigation without further delays, as well as to investigate also his situation as media owner and to draw conclusions from this case;
42. Recalls that the Commission services have asked the national authority responsible for the coordination of Union Funds (Ministry of Regional Development) to provide the necessary information ⁽³⁾ with respect to funding to enterprises that are owned by his holding company;
43. Welcomes the fact that the Czech Ministry of Regional Development has collected the requested information from the different managing authorities concerned and has forwarded it to the Commission; asks the Commission what action it intends to take in light of its recent legal appreciation of the situation;
44. Recalls that the European Parliament asked the Commission last year to speed up the conformity clearance procedure opened on 8 January 2016 to get detailed and precise information on the risk of conflicts of interest concerning the State's Agricultural Intervention Fund in the Czech Republic;

Economic, social and territorial cohesion

Success stories

45. Notes the progress in project selection and that by January 2018, 673 800 projects had been selected for support by the ERDF, the CF, the ESF, and the Youth Employment Initiative, amounting to EUR 260 billion or 54 % of the total financing available for the 2014-2020 period; notes that the rate of project selection had reached 70 % of the total financing available at the end of 2018 and was similar to the selection rate at the same point in the last period;
46. Welcomes the fact that out of the 450 000 projects selected up to the end of 2016 to support SMEs, 84 500 have already been completed, thus contributing to productivity and competitiveness of firms;
47. Welcomes also the fact that up to the end of 2017, around 5 500 projects were selected on the ground to support the achievement of a connected Digital Single Market, corresponding to EUR 9,1 billion of total investment;
48. Notes with satisfaction that, in the area of energy efficiency and renewables, more than 2 000 MW of additional capacity of renewable energy production was created, and greenhouse emissions were reduced by close to 3 million tonnes of CO₂ equivalents by the end of 2016; stresses though that more must be done in order to achieve goals from the 2015 Paris Climate Agreement;
49. Notes that by the end of 2017, 99 % of the action plans for *ex ante* conditionalities affecting the ESF, the CF and the ERDF had been completed;
50. Welcomes in particular, with regard to structural funds, the Court's audit work on preventive measures and financial corrections, *ex ante* conditionalities, the performance reserve and absorption;
51. Notes with satisfaction that the outputs and results described for the Fund for European Aid to the Most Deprived (FEAD) are on track to be achieved and that the instrument compliments national efforts to eradicate poverty and promote social inclusion;
52. Notes that in the course of the Court of Auditor's review of 113 completed projects under the 'Economic, social and territorial cohesion' spending area, 65 % had a performance measurement system with output and result indicators linked to the objectives of the operational programme — which represents an improvement compared to previous years; notes with concern that 30 % of the projects had no result indicators or targets, making it impossible to assess the specific contribution of those projects to the overall objectives of the programme;

⁽³⁾ (a) list of all projects financed by the ERDF, CF, ESF and EAFRD which relate to the AGROFERT group since 2012 when the current Prime Minister entered as Minister of Finance the government, and whether the projects are still ongoing or have been completed; (b) the amounts granted, already paid and still to be paid (as well as the Fund concerned) to these companies or to other companies of the AGROFERT group; (c) periods when such amounts were granted and paid; (d) whether the projects were subject to verifications (administrative and/or on-the-spot) with respect to such funding and the outcome of such verifications;

Critical issues requiring improvement

53. Regrets that the Court identified and quantified 36 errors in its sample of 217 transactions for 2017, which audit authorities in Member States had not detected, and that the number and the impact of these errors indicate persisting weaknesses with the regularity of the expenditure declared by managing authorities; regrets also that the Court found weaknesses in the sampling methods of some audit authorities; calls on the Commission to work even closer with the managing and audit authorities of individual Member States on detecting these errors and specifically targeting the most frequent ones;
54. Deplores the fact that for 2017, as noted by the Court, the Commission presented at least 13 different error rates in the area of economic, social and territorial cohesion for the programming periods 2007-2013 and 2014-2020, which makes reporting unclear and confusing, and makes it difficult to evaluate data;
55. Notes that Member States' Audit Authorities communicate to DG REGIO the error rates for Structural Funds only after deduction of corrections which does not give a real picture of the situation of Union projects on the spot and of the 2017 error-rate for actual payments;
56. Is concerned that despite the significant increase in the average absorption rate in terms of payments by the Commission from 3,7 % in 2016 to 16,4 % in 2017, the absorption remains even lower than in the corresponding year of the previous MFF, which was 22,1 % in 2010;
57. Observes with concern that as of September 2018 there are still 7 non-completed action plans related to *ex ante* conditionalities and that one suspension of interim payments has been adopted and other two are under inter-service consultation for adoption; regrets that the fulfilment of the *ex ante* conditionalities proved to be administratively burdensome for managing authorities and one of the reasons for delayed absorption; appreciates in particular the targeted support provided to programme authorities and increased level of implementation reached thanks to the 'Catching up Regions' and the 'Task force for Better Implementation' initiatives taken by the Commission; asks the Commission to ensure that in the next programming period, the identified weaknesses and problems related to fulfilment of enabling conditions, which will replace *ex ante* conditionalities, are properly addressed;
58. Is worried about the lack of transparency in spending for financial instruments as four times more money is available for financial instruments under the current MFF; notes that by the end of 2017, 24 Member States were making use of FIs and the total programme contributions committed to FIs were nearly EUR 18,8 billion (EUR 13,3 billion at the end of 2016), of which EUR 14,2 billion was from the ESIF; notes as well that a total of EUR 5,5 billion (around 29 %) of these amounts committed had been paid to FIs (EUR 3,6 billion at the end of 2016), including EUR 4,4 billion from the ESIF; is concerned, however, that three years after the start of this MFF EUR 1,9 billion (only 10,1 %) had been paid to final recipients (EUR 1,2 billion at the end of 2016), of which EUR 1,5 billion (10,5 %) was from the ESIF;
59. Agrees with the Court on the need for more detailed reporting on financial instruments and calls on the Commission to significantly improve reporting on the results of those instruments for 2007-2013 and 2014-2020;
60. Calls on the Commission to present accurate and complete information on financial instruments under shared management after closure of the 2007-2013 MFF period, indicating amounts returned to the Union budget and those remaining in the Member States;
61. Deeply regrets that, in the context of financial instruments, the auditors were not able to verify the selection and implementation of investments at financial intermediary level, where a number of irregularities occurred, accounting for 1 % of the estimated level of error for the area of 'Economic, social and territorial cohesion';
62. Stresses that unlike what was done in 2016, the estimated level of error for cohesion includes a quantification of 2017 disbursements to financial instruments; recalls that since the eligibility of expenditures for structural funds for the period 2007-2013 was postponed to the end of March 2017, the disbursements to financial instruments for the first three months of 2017 are to be included into the calculation of the error-rate; nevertheless regrets that the Court has not mentioned the clear error rate for those disbursements anywhere in its annual report, except in a box; calls on the Court to take on board all the irregularities having a financial impact when determining the most likely error-rate, and to clearly mention the percentage of funds affected; calls on the Commission to table the necessary legislative proposal to put an end to future unilateral decisions on the extension of the eligibility of expenditures for structural funds via implementing acts;

63. Calls on the Commission to provide accurate and complete information on the closure of the financial instruments for the 2007-2013 MFF, including the final amounts returned to the Union budget and amounts belonging to Member States;
64. Calls on the Commission to take into account, in the case of large-scale infrastructure projects, all relevant risks of environmental impact and to finance only those which have demonstrated real added value for the local population and from an environmental, social and economic point of view; stresses the importance of strictly monitoring possible risks of corruption and fraud in this context and the need to carry out careful and independent *ex ante* and *ex post* assessments with regard to the projects to be financed;
65. Notes that according to the Commission, few evaluations were carried out by Member States relating to the European Social Fund beyond the Youth Employment Initiative (YEI); calls on Member States to systematically evaluate the European Social Fund in order to enable evidence based policymaking, and on the Commission to promote this;
66. Recalls that in its Special Report No 5/2017 'Youth unemployment', the Court found that, while some progress had been made in implementing the Youth Guarantee (YG), and while some results had been achieved, the situation fell short of the initial expectations raised at the launch of the YG; stresses however that the YEI and the YG still represent one of the most innovative and ambitious policy responses to youth unemployment in the wake of the economic crisis, and should therefore have the continued financial and political support of Union, national and regional institutions in their delivery;
67. Stresses that establishing whether the YEI budget is well spent, and whether the ultimate YEI goal of helping young unemployed people into sustainable employment is attained, can only be achieved if operations are closely and transparently monitored on the basis of reliable and comparable data, and if Member States that have made no progress are addressed in a more ambitious manner; insists therefore that the Member States improve monitoring, reporting and the quality of data as a matter of urgency and guarantee that reliable and comparable data and figures on current YEI implementation are gathered and made available in a timely manner and more frequently than is required under their annual reporting obligation, as defined in Article 19(2) of the ESF Regulation; calls on the Commission to revise its guidelines on data collection in line with the recommendation of the Court in order to minimise the risk of overstatement of results;
68. Insists that any internship or apprenticeship programme must provide paid placements, never lead to job substitution and be based on a written internship or apprenticeship agreement in accordance with the applicable regulatory framework or applicable collective agreements, or both, of the country where it takes place, and that it should follow the principles outlined in the Council Recommendation of 10 March 2014 on a Quality Framework for Traineeships ⁽⁴⁾.

Natural resources

Some success stories

69. Welcomes the positive evolution of the error rate in the area of 'Natural resources' in 2017, being 2,4 % (in comparison with 2,5 % in 2016, 2,9 % in 2015 and 3,6 % in 2014), as well as that for three-quarters of the agriculture budget corresponding to 'European Agricultural Guarantee Funds (EAGF) — direct payments' the Court estimated the level of error to be below the materiality threshold of 2 %;
70. Welcomes the fact that the overall level of error established by the Court tallies very closely with the overall error rate for the CAP given in DG AGRI's 2017 annual activity report, demonstrating the effectiveness of the remedial action plans that Member States have implemented in previous years;
71. Stresses that the positive achievements in the area of EAGF direct payments were mainly due to the quality of the Integrated Administration and Control System (IACS) and the Land Parcel Identification System (LPIS), and to the progressive introduction of the Geo-Spatial Aid Application and new preliminary cross-checks on farmer's applications, which led to reduced time for completion of aid claims by beneficiaries and is expected to prevent some error and save time in processing of claims;

⁽⁴⁾ OJ C 88, 27.3.2014, p. 1.

72. Notes that direct payments from the European Agricultural Guarantee Fund account for around three-quarters of expenditure and are free from material error; points out that direct payments to farmers are entitlement-based and have benefited from simplified land eligibility rules and an effective *ex ante* control system (IACS) that allows automated cross-checks between databases; is concerned that a persistently high level of error remains in the other spending areas on rural development, the environment, climate action and fisheries; notes, furthermore, that rural development projects are inherently more complex due to the wider goals pursued, and expenditure in the three other areas is co-financed or disbursed through reimbursement of costs and ineligible beneficiaries, activities, projects or expenditure contribute around two-thirds of the estimated level of error for that MFF heading;
73. Welcomes the findings in which the Court, having examined a total of 29 rural development investment projects, established that 26 were in line with the priorities and focus areas set out in the rural development programmes and that Member States had applied appropriate selection procedures; also welcomes the fact that, in most cases, the beneficiaries of the projects examined carried them out as planned and the Member States made checks to ascertain whether the costs were reasonable; believes therefore that the rural development approach must remain a fully supported, significant and core element in the CAP Strategic Plans, moving forward;
74. Welcomes the fact that in its 2017 Annual Activity Report (AAR), the Director-General of DG AGRI referred to a slight increase in farmer income, recalling that there had been a slight decrease the last 4 years;
75. Points out that the corrective capacity of financial corrections and recoveries increased to 2,10 %, compared with 2,04 % in 2016, thus further lowering the amount at risk for the CAP in 2017;

Critical issues requiring improvement

76. Notes the fact that direct payments per hectare decreased with increasing farm size, while the income per worker increased, and that according to the Commission very small farms, of less than 5 ha, represent over half of the beneficiaries; notes with concern that according to the DG AGRI AAR, 'Big farms managing over 250 ha represent 1,1 % of farms, manage 27,8 % of the total farmland and receive 22,1 % of total direct aid. Among these "big farms", the majority has between 250 and 500 ha.' 1; urges the Commission to change this unjustifiable and unequal treatment;
77. Notes a fast increase in inequalities in direct payments in some Member States, mainly Slovakia and the Czech Republic, where 7 % of the beneficiaries receive currently over 70 % of all direct payments, as well as Estonia, Latvia, Hungary, Romania, Bulgaria and Denmark where over the last 10 years a growing share of beneficiaries have received more than EUR 100 000; calls on the Commission and the national authorities to take appropriate measures to remedy those increasing inequalities and to report on those measures;
78. Notes with great concern that the Court found a persistently high level of error in areas corresponding to one quarter of the budget for 'Natural Resources', which includes the expenditure for market measures under the EAGF, rural development, environment, climate action and fisheries; notes in addition that the main sources of error were non-compliance with eligibility conditions, the provision of inaccurate information on areas and non-compliance with agro-environmental commitments; stresses that such errors should be better detected by the managing authorities of individual Member States or in cases when the *ex post* audits point to these errors the samples for future audits and on-site checks should be updated to provide for a better controls;
79. Calls on the Commission to continue its work to assess the effectiveness of the Member States' actions to address the underlying causes of these errors and to issue further guidance or direct help where necessary;
80. Calls on the Commission to arrange for a genuine simplification of the procedure, including in the documentation required in order to gain access to funding, without neglecting the principles of audit and monitoring; calls for special attention to be paid to administrative support for small-scale producers;

81. Notes with great concern that the results of the cross compliance on the spot checks made by DG AGRI are worrying, and in particular that 47 % of the total number of on the spot checks has led to sanctions; urges the Commission to check the implementation of the remedial action taken by Member State authorities where it found it could place no or limited reliance on the certification body's work;
82. Recommends that:
 - (a) the Court of Auditors (the 'Court') issue separately error rates regarding respectively the direct payments, the market operations and the rural development spending of the CAP as the Director-General of DG AGRI does in its annual activity report;
 - (b) the Commission assess the effectiveness of the Member States' actions to address the underlying causes of errors and issues further guidance where necessary;
 - (c) the Member States fully exploit the possibilities offered by the system of simplified cost options in rural development;
 - (d) the Commission take on board in its proposals for the future CAP that larger farm incomes do not necessarily need the same degree of support for stabilising farm incomes as smaller farms in times of income volatility crisis since they may benefit of potential economies of scale which are likely to make them more resilient;
 - (e) DG AGRI define a new key performance objective, accompanied with indicators, aiming at mitigating the income inequalities between the farmers;
 - (f) the Commission carry out a closer examination of the quality of the certification bodies' transaction testing;
 - (g) the CAP funding remain at current levels at least and to do the job it was designed to do, support the producers so they have a sustainable living, while ensuring an affordable top-quality food-supply for Union citizens;
 - (h) the Commission take steps to ensure that CAP funds should be distributed in a weighted manner, such that the payments per hectare are on a reducing scale relative to the size of the holding or farm;
83. Takes the view that the Commission should require Member State action plans to include remedial action to deal with the most frequent causes of error;
84. Given that the environmental objectives of 'greening' have not met any of the expectations raised and that they produced a considerable increase in the administrative burden for both farmers and public administrations, asks the Commission to ensure that the green architecture of the new CAP proposal with the so-called eco-scheme achieve better environmental results based on the reward of the efforts that overcome the reinforced conditionality of the new proposal;
85. Recalls in particular, that the Director-General of DG AGRI refers to an analysis made by an external contractor, which found that: 'overall, the greening measures have led to only small changes in farmers' management practices, except in a few specific areas. For both Member States and farmers, instead of environmental priorities, the main concern tended to consist in minimising the administrative burden of implementation, and avoiding any errors as controls and enforcement may lead to the reduction of CAP payments';
86. Calls on the Commission to provide structural data for the 20 biggest receivers of direct payments in Member States;
87. Is concerned that the highly critical Special Reports of the Court Nos 10/2017 and 21/2017 on Young Farmers and Greening, showing that almost no desired result was achieved, did not have financial consequences; is concerned that the financing of those policy areas just goes on as if nothing had happened;
88. Stresses that four years after its adoption on 15 May 2014, the implementation rate for the 2014-2020 EMFF remains unsatisfactory, as by October 2018 only 6,8 % of the EUR 5,7 billion made available under the shared management system had been used;

Security and citizenship*Some success stories*

89. Notes that the 2014-2020 allocated resources for AMIF (Asylum, Migration and Integration Fund) increased from EUR 2 752 million to EUR 5 391,5 million by the end of 2017 and that between 2014 and 2017, the number of target group persons provided with assistance (in reception and asylum systems) increased from 148 045 to 297 083, and that of these, the share of persons having benefited from legal assistance has risen from 18 395 (12,4 %) to 56 933 (19,1 %);
90. Stresses that the main Union level benefit is considered to come from the transnational dimension of actions such as European Migration Network, but also from burden-sharing, supported in particular by emergency assistance and the relocation mechanism;
91. Notes that the number of returnees co-financed by the AMIF was 48 250 in 2017 compared to 5 904 in 2014, and that of those returned, the share of non-voluntary returns has increased from one quarter (25 %) in 2014 to half (50 %) in 2017, while the reported number of persons who returned voluntarily was 17 736 in 2017; notes also that there is no Key Performance Indicator (KPI) to measure what's being done to protect those migrants — regular and irregular — who most need protection, the women and children;

Critical issues requiring improvements

92. Points out that the Court regretted that the accounts of AMIF and ISF (Internal Security Fund) national programmes cleared by the Commission in 2017 did not distinguish between pre-financing payments (advances) by Member States to final beneficiaries, and payments made to reimburse expenditure actually incurred, which does not allow the Commission to obtain information on how much was actually spent;
93. Asks in this regard the Commission to require from Member States, in the annual accounts of their AMIF and ISF national programmes, to break down the nature of the amounts they report into recoveries, pre-financing and expenditure actually incurred and to report in its AAR from 2018 onwards the actual spending per fund;
94. Points out that for the Asylum, Migration and Integration Fund and for the Internal Security Fund DG HOME only reports an error rate from which financial corrections have already been deducted, which makes unclear what corrections have been made and what the 2017 actual payments error rate is;
95. Takes note of the Court's observation that overcomplicated bureaucracy could be one of the reasons for the increased backlog of commitment appropriations and recommends to the Commission to simplify the regulatory requirements introduced for the national authorities involved in the management of the AMIF and ISF in order to facilitate the faster use of the available funds and to improve the transparency and better accountability of AMIF and ISF expenditure;
96. Points out that the Court found inconsistencies in the way Member States treated the eligibility of value-added tax declared by public bodies and calls on the Commission to provide guidance to Member States in with regard to the AMIF/ISF implementation specifying that, when public bodies implement Union actions, the Union co-financing may not exceed the total eligible expenditure excluding VAT;
97. Recommends that:
 - (a) the Commission define and put in place a balanced and comprehensive migration policy based on the principles of solidarity and partnership instead of considering the migration policy as a crisis management issue;
 - (b) DG HOME introduce a Key Performance Indicator relating to situation of the most vulnerable migrants and in particular child migrants and refugee women and girls in order to prevent and avoid abuse and trafficking;
 - (c) DG HOME systematically provide error rates at payment and residual error rate;
 - (d) the Commission require Member States, in the annual accounts of their AMIF and ISF national programmes, to break down the nature of the amounts they report into recoveries, pre-financing and expenditure actually incurred; and report in its AAR from 2018 onwards the actual spending per fund;

98. Is seriously concerned about the weaknesses in EASO's management and audits; considers it unacceptable that the Commission did not monitor them effectively and did not intervene quickly to resolve the situation; calls on the Commission to constantly monitor the agencies operating under Heading 3;
99. Is concerned that there is a risk that Union money foreseen for development is used for other purposes such as to fight irregular migration or military action;

DIRECT MANAGEMENT

100. Points out that for 2017, the Court found the highest estimated level of error in spending under 'Competitiveness for growth and jobs', at 4,2 %; notes that these are expenditures managed directly by the Commission, and for which the Commission is solely and directly accountable; expects the Commission to adopt an urgent Action Plan to improve the situation and to implement all measures at its disposal to lower the level of error in spending;
101. Regrets that of the 130 transactions examined by the Court, 66 (51 %) contained errors and that in 17 cases of quantifiable error made by beneficiaries, the Commission or the independent auditor had sufficient information presented in the reimbursement claim (e.g. incorrect exchange rate or cost incurred outside the reporting period) to prevent, or to detect and correct, the error before accepting the expenditure; emphasises that, had the Commission made proper use of all information at its disposal, the estimated level of error for this chapter would have been 1,5 percentage points lower;
102. Urges the Commission to undertake all necessary measures to improve the use of the available information at its disposal for preventing and correcting errors before exercising payments in order to return to the positive trend of reduction of the error rate seen in previous years (from 5,6 % in 2014, to 4,4 % in 2015 and from 4,1 % in 2016);
103. Notes that the Court did not provide a separate error rate for security and citizenship, as just a small part (2 %) of the 2017 budgetary payments relate to this area, but that DG HOME presented the following error rates in its AAR, which, however, were not checked by the Court:
 - (a) Solidarity and Management of migration Flows (SOLID): Detected Error Rate (DER) of 2,26 % and Residual error rate (RER) of 0,75 %;
 - (b) Asylum Migration and integration Fund (AMIF) Internal Security Fund (ISF): DER of 0 % and RER of 1,54 %;
 - (c) Indirect management decentralised agencies: RER of less than 2 %;
104. Notes that for 2017, the Court has not calculated an error rate for the Union funds spent under heading 4 of the MFF 'Global Europe' and that this decision was taken following the general strategy of the Court to reduce its substantive testing and partially rely on the so-called 'work of others';
105. Takes note of the positive evolution of the residual error rate as established by the residual error rate (RER) studies ordered by DG DEVCO and DG NEAR and notes that the most likely estimate of the representative RER for the transactions of DG DEVCO was 1,18 % compared with 1,67 % in 2016, and 2,2 % in 2015 whilst for the DG NEAR transactions the residual error rate was 0,67;
106. Notes, however, that the Residual Error Rate of DG DEVCO and DG NEAR does not refer to a sample of all payments for ongoing projects, but is calculated on transactions only from closed contracts for which all controls and checks have been applied, with the consequence that only pre-2017 payments have been analysed, but not the 2017 actual payments error-rate;
107. Notes the fact that the Court considered that the RER studies were broadly fit for purpose although the Court had strong concerns about the quality of those studies;
108. Notes with concern that despite good scores in terms of error rate, the only spending area with an indicative error rate above 2 % is 'Direct Management — Grants', with error rates of 2,80 % for DG NEAR and 2,12 % for DG DEVCO;
109. calls on the DG RTD to publish its country specific recommendations in the AAR of DG RTD;

110. Highlights the highly negative findings by the Court on Public-Private Partnerships ⁽³⁾ ('PPPs') and the Court's recommendation 'not to promote a more intensive and widespread use of PPPs' inside the Union; calls on the Commission to take this recommendation fully into account when dealing with PPPs in developing countries where the environment for successful implementation of PPPs is even more difficult than inside the Union;
111. Welcomes the results achieved under the three axes of the European Union Programme for Employment and Social Innovation (EaSI) in 2017; draws attention to the importance of EaSI support, and, in particular, of its Progress and European Employment Services network (EURES) axes, for the implementation of the European Pillar of Social Rights; notes with concern however that the thematic section Social Entrepreneurship within the EaSI Microfinance and Social Entrepreneurship axis continues to underperform; appreciates the fact that the Commission is working closely with the European Investment Fund (EIF) to ensure it commits to full utilisation of the resources under the Social Entrepreneurship thematic section;

Research and innovation

Success stories

112. Notes with satisfaction that with Union co-financing under Horizon 2020 Gérard Mourou won with other researchers the Nobel Prize in physics for their research in ultra-brief, ultra-sharp laser beams facilitating refractive eye surgery, as well as that the International Rare Diseases Research Consortium (IRDIRC) achieved its objective of delivering 200 new therapies for rare diseases three years earlier than foreseen;
113. Notes in addition that through the Marie Skłodowska-Curie Actions, Horizon 2020 has funded 36 000 researchers at all stages of their career, regardless of their age and nationality and that two of the three researchers who were awarded the 2017 Nobel Prize in Chemistry for optimising electron microscopes have participated in Marie Skłodowska-Curie Actions and other Union-funded research projects;
114. Welcomes the launch of the first phase of the European Innovation Council pilot in October 2017 as part of the Horizon 2020 Work Programme 2018-2020, endowed with funding of EUR 2,7 billion, which aims at supporting top-class innovators, start-ups, small companies and researchers with bright ideas that are radically different from existing products, services or business models, are highly risky and have the potential to scale up internationally;
115. Notes that the Commission is looking into the possibility to extending the use of the Simplified Cost Option (SCO) even further, in particular using lump-sum funding;

Critical issues requiring improvement

116. Notes that, according to the European Innovation Scoreboard (EIS) the innovation performance of the Union has increased by 5,8 % since 2010; notes, however, that there has been no convergence between Union countries; notes that the following countries benefit most from the funds under Horizon 2020 (Participant Net Requested Union Contribution in Euro): Germany 5 710 188 927,80/United Kingdom 5 152 013 650,95/France 3 787 670 675,13; calls on the Commission to pay greater attention to the geographic distribution of research funds with the view to contributing to the creation of a level playing field for growth and jobs in the European research area;
117. Notes that the Commission admits that there are some weaknesses in the performance framework for Horizon 2020 which make it difficult to assess the progress of the programme towards all of its objectives at a given moment; expects that the proposals for the next MFF Horizon Europe programme will address these weaknesses and regrets that no measures are considered for improvement of the performance framework in the current period;
118. Notes that the Annual Activity Report (AAR) of the Directorate-General (DG) RTD mentions 6 different error rates, three for the Seventh Framework Programme and three for Horizon 2020; stresses that such an approach does not facilitate transparency and accountability and should be improved immediately; accepts however that two different programmes under two different financial periods are concerned;

⁽³⁾ Special report No 9/2018: Public Private Partnership in the EU. Widespread shortcomings and limited benefits

Security and citizenship

Some success stories

119. Points out that DG Home managed a budget of EUR 1 831 million for migration and EUR 313,75 million for security and that the initial overall budget of EUR 6,9 billion for the Multiannual Financing Framework 2014-2020 was substantially reinforced from 2015 to 2017, by EUR 3,9 billion;
120. Notes that the budget managed by DG HOME and its number of staff have been increased in order to cope with the increased activities in the context of the migration crisis and threats to the internal security; in terms of human resources, at the end of 2017, DG HOME had 556 staff members, compared to 480 in 2016;

Critical issues requiring improvement

121. Notes with concern that the implementation pace of the resources managed by DG HOME triggered an increase of 24 % of the total RAL at the end of 2017 and that the good implementation rate in 2017 reflects the fact that part of the commitment appropriations were carried over to 2018;
122. Is concerned by the significant weaknesses identified in the management and control systems of EASO that justified the adoption of a reservation on reputational grounds; stresses though that DG HOME has reacted by introducing a co-decision process by the executive board and put in place new management of EASO to bring the situation under control;
123. Repeats its demand that the budget lines under the Rights, Equality and Citizenship Programme (REC) 2014-2020 should specify the resources allocated to each of the objectives of the programme devoted to gender equality ensuring a proper accountability of the funds devoted to this aim;
124. Reiterates its call to have a separate budget line for the Daphne specific objective in order to show the commitment of the Union with the combat of violence against women and girls; calls for increased resources in this budget line and to reverse the decrease of funds dedicated to Daphne during the 2014-2020 period; calls on an steady effort to raise the awareness of the grants included in the Daphne specific objective along with measures to make its related administrative procedures more user-friendly;

Global Europe

Some success stories

125. Points out that the Court work on the regularity of the transactions revealed that the Commission strengthened its control systems, which has led to proportionally fewer errors than in past DAS exercises;
126. Notes that the Court has also checked the performance of 7 projects; welcomes the fact that all 7 projects had relevant performance indicators and that the framework was well structured and had achievable outputs;
127. Takes note of the Special Report of the Court on Union Assistance to Myanmar/Burma and the response of the Commission; welcomes in this respect that the Union played a leading role in supporting development priorities in a difficult context and with limited staff resources; notes however that Union assistance was found to be only partially effective; supports the Court in stressing the need to pay increased attention to domestic revenue mobilisation, in particular in emerging economies; in view of the documented atrocities committed by the army of Myanmar expresses great concern about continued sectoral budget support provided from the Union budget to Myanmar;
128. Calls for an incentive-based approach to development by introducing the more-for-more principle, taking as an example the European Neighbourhood Policy; believes that the more and the faster a country progress in its internal reforms in relation to the building and consolidation of democratic institutions, the respect for human rights and the rule of law, the more support it should receive from the Union;
129. Underlines the importance of increasing the attribution of funds aiming at supporting good governance, democracy and the rule of law in developing countries in order to promote accountable and transparent institutions, support capacity building and foster a participatory decision-making and public access to information;

130. Draws attention to the scale and implication of energy poverty in developing countries and to the Union's strong involvement in efforts to reduce such poverty; underlines the need for strong and concerted efforts by governments and stakeholders in affected countries to reduce energy poverty;

Critical issues requiring improvement

131. Notes with concern that the Court has detected recurrent errors of over-clearance of expenditure in interim payments;
132. Regrets once again that the external assistance management reports (EAMR) issued by the heads of Union delegations are not annexed to the annual activity reports of DG DEVCO and NEAR as is foreseen by Article 67(3) of the Financial Regulation; regrets that they are systematically considered as confidential whilst in accordance with Article 67(3) of the Financial Regulation, 'they shall be made available to the European Parliament and the Council having due regard, where appropriate to their confidentiality';
133. Notes with concern the large number of contracts awarded to a very limited number of national development agencies, with the attendant risk of re-nationalisation of Union policy contrary to the interests of greater integration of Union external policy; urges the Commission, in addition to granting the discharge authority access to the pillar assessment, to do so in such a way as to make it publicly accessible; in this regard, notes with concern the commercial focus of these national bodies invoked by the European Commission to restrict access to such information; calls on the Commission, as soon as possible, to strengthen and consolidate the monitoring of the tendering and contracting procedures to avoid any distortion of competition between this limited number of strongly subsidised national agencies and other public and private entities with a clear European vocation;
134. Notes with concern that the Court found that the RER studies have certain limitations, as they are studies and not audits and so do not follow International Audit Standards and include very limited checks on public procurement;
135. For the 2019 RER study onwards, calls on DG NEAR and DG DEVCO to provide the RER contractor with more precise guidelines on checking second-level procurement and to stratify the RER population based on the inherent risk of the projects, with more weight being placed on direct management grants and less on budget support transactions;
136. Asks the Commission to take the necessary measures to address the deficiencies detected by its own Internal Audit Service and to transform the EAMR into a reliable and fully public document that properly substantiates the declarations of assurance of the heads of delegation and of the Director-General of DG DEVCO;
137. Believes that when providing external aid, more attention should be put by the Commission on respect for human rights as per the UN Charter, and the Rule of Law, in the receiving countries;
138. Is concerned about lack of visibility of Union funding pooled for projects; urges the Commission to improve visibility and to strengthen enhanced complementarity of actions of different instruments;
139. Is very worried by an ongoing trend in Commission proposals to ignore legally binding provisions of Regulation (EU) No 233/2014 of the European Parliament and of the Council ⁽⁶⁾ when it comes to Official Development Assistance ('ODA') eligible expenditure and eligible countries for Development Cooperation Instrument ('DCI') spending; recalls that legality of Union spending is a key principle of sound financial management and that political considerations should not take precedence over clearly spelled out legal provisions; recalls that DCI is first and foremost an instrument designed to fight poverty;
140. Regrets that in every annual activity report since 2012, the Commission's Directorate-General for International Cooperation and Development had to issue a reservation on the regularity of underlying transactions which points to serious internal management, deficiencies;

⁽⁶⁾ Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44).

Environment, public health and food safety

141. Notes that in 2017 the LIFE Programme celebrated its 25th anniversary; highlights that the programme provided EUR 222 million to co-finance 139 new projects; stresses that further efforts need to be made to lower payments delays under the LIFE Programme, as 5,8 % of payments exceeded legal deadlines in 2017 (3,9 % in 2016, 12 % in 2015);
142. Points out that the mid-term evaluation of the LIFE Programme, covering the years 2014-2015, was released in 2017; notes that, as most projects had yet to start and few projects had ended, that evaluation focused mainly on the processes put in place to reach the LIFE Programme's objectives, and concluded that the LIFE Programme provides Union added value, while pointing to possible improvements; stresses that grant management procedures, particularly application and reporting procedures, should not only be simplified but also significantly accelerated;
143. Notes that the terms of the externalisation decision for cooperation with the Executive Agency for Small and Medium-sized Enterprises (EASME) regarding staff imply that the staffing situation is very tight in DG ENV as regards the activities related to the LIFE programme, which may require further review of the working methods and arrangements within the DG;
144. Highlights that those of DG ENV's and DG CLIMA's internal control systems that were audited are only partially effective, as some very important recommendations still need to be addressed in line with the agreed action plans;
145. Stresses that DG CLIMA and DG BUDG monitor the 20 % climate mainstreaming target in the Multiannual Financial Framework, and that DG CLIMA supports other DGs in integrating climate in their activities; regrets that in 2017, only 19,3 % of the Union budget was spent on climate-related activities, and that it is estimated that the average for the period 2014-2020 will only be 18,8 %;
146. Is concerned with the fact that the reservation on reputational grounds concerning the remaining significant security weakness identified in the Union registry of the Emissions trading system (EU ETS) is repeated in DG CLIMA's Annual Activity Report for 2017;
147. Regrets that DG SANTE's average residual error rate reached 2,5 % for the overall activity in the area of food and feed safety in 2017, exceeding the materiality threshold of 2 %; notes that this is due to overstatements in costs claims of Member States, in the context of structural changes made to management and controls of the claims in one Member State; asks DG SANTE to take all the necessary measures to ensure that this does not happen again in the future by increasing for instance the use of simplification measures offered by the Financial Regulation;
148. Highlights that in 2017 DG SANTE released the mid-term evaluation of the Common Financial Framework for the food chain 2014-2020, which concluded that the current framework functions well and contributed to achieving Union added value; notes that the Commission, as recommended by the Court, is working to develop a cost-effectiveness analysis methodology for the food chain area, in order to make future economic evaluations of the Union-funded interventions more robust;

Transport and tourism

149. Notes that in 2017 the Commission selected 152 projects for a total of CEF Transport funding of EUR 2,7 billion, with the total investment of EUR 4,7 billion, including other public and private financing; reiterates the importance of the CEF funding instrument for the completion of the TEN-T network, for achieving a Single European Transport Area, for developing the cross-border links and filling the missing links;
150. Invites the European TEN-T Coordinators to conduct a thorough assessment of the projects completed and the improvements achieved along the TEN-T corridors under the current programming period, and to present it to the Commission and the Parliament;
151. Calls upon the Commission to clearly present for the sector of transport an assessment of the impact of EFSI on other financial instruments, in particular with regard to the CEF as well as on the coherence of the CEF Debt Instrument with other Union initiatives in good time before the proposal for the next MFF; requests that this assessment present a clear analysis on the geographical balance of investments in the transport sector; recalls, however, that the amount of money spent under a financial instrument should not be considered to be the only pertinent criteria to be used when assessing its performance; invites, therefore, the Commission to deepen its assessment of the achievements completed under Union funded transport projects and measure their added-value;

152. Welcomes the results of the 2017 blending call for CEF funding and the decision to increase its budget to EUR 1,35 billion, which confirms the relevance and added value of using Union grants for blending with financing from the European Investment Bank or National Promotional Banks or other development and public financial institutions as well as from private-sector finance institutions and private-sector investors, including through public private partnerships; takes the view that CEF should therefore continue to support actions enabling combination between Union grants and other sources of financing, while maintaining grants as the main funding instrument;
153. Notes that the Commission's Internal Audit Service, as part of its audit on the Commission's supervision of the implementation of CEF financial instruments, found that there was a very low rate of implementation of financial instruments under CEF and the majority of the budget originally allocated to CEF financial instruments (EUR 2,43 billion) was re-allocated to CEF grants budget lines, leaving only EUR 296 million available for CEF financial instruments until 2020; also notes that one of the reasons given was that the eligibility criteria of the CEF financial instruments and of the European Fund for Strategic Investments (EFSI) largely overlap and potential CEF eligible projects have in fact been financed by EFSI, as it has greater political priority and a larger remit; calls on the Commission, as regards the CEF, to improve the level of awareness among beneficiaries of the eligibility rules, in particular by drawing a clear distinction between an implementation contract and subcontract — which was the main source of confusion among beneficiaries; calls on the Commission to ensure that financial instruments complement rather than substitute each other;
154. Notes that 2017 was the first year of the audit campaign for the CEF programme and that it will require 2-3 further years of CEF auditing to deduce a meaningful error rate calculation for all CEF sectors; nevertheless welcomes the fact that detected errors for CEF and TEN-T audits closed in 2017 were very low;
155. Is concerned that Commission's Internal Audit Service found significant weaknesses in DG MOVE's current system of monitoring both aviation and maritime security policy and made three very important recommendations; calls on DG MOVE to fully implement the action plan that it prepared for addressing the identified risks;

Culture and education

156. Welcomes the achievements of 30 years of the Erasmus programme, engaging 9 million people, including young people, students and, recently, members of staff in mobility activity since 1987; stresses the strong European added value of the programme and its role in delivering as a strategic investment in Europe's young people;
157. Notes that the Erasmus programme needs to do more to be accessible to marginalised groups, in particular, persons with disabilities and special education requirements, persons who are geographically disadvantaged, early school leavers, persons belonging to a minority, those at a socioeconomic disadvantage, etc.;
158. Is alarmed by the low take-up of the Erasmus+ Student Loan Guarantee Facility as well as its insufficient geographical coverage, limited to banks in three countries and universities in another two; urges the Commission and European Investment Fund to put in place an implementation strategy to maximise the Facility's effectiveness till 2020; or alternatively, to facilitate the redistribution of the unused funds in the programme itself and allow for a better funding coverage of actions within the different strands;
159. Is worried by the still low project success rates under the Europe for Citizens programme and the Creative Europe Culture sub-programme (21 % and 22 % respectively in 2017); stresses that a more adequate level of financing is decisive to tackle these unsatisfactory results which are counterproductive to the objectives of the programme itself in discouraging citizens from participating;
160. Highlights the role of the Education Audiovisual and Culture Executive Agency (EACEA) in implementing the three culture and education programmes: expresses however its concern at the weakness of the EACEA internal control identified by an audit on the Erasmus+ and Creative Europe grant management; notes that the Commission's Internal Audit Service itself has found weaknesses in EACEA's Erasmus+ grant management process; takes the view, therefore, that the Commission and EACEA should have no difficulty in putting in place the necessary corrective actions in order to ensure full transparency, and guarantee the highest quality of their implementation of the culture and education programmes;

INDIRECT MANAGEMENT AND FINANCIAL INSTRUMENTS

161. Notes that in 2017, the Commission has signed contracts with UN agencies with a value of nearly EUR 253,5 million of contributions from the Union budget, with United Nations Development Programme (EUR 119,21 million), Unicef (EUR 29,34 million) and United Nations Office for Projects Services (EUR 20,05 million) being the biggest beneficiaries, and contracts with the World Bank worth EUR 174,11 million;
162. Given the shift in aid modalities from direct grants to trust funds and blended finance, including through the European Fund for Sustainable Development, invites the Council, Commission and European Investment Bank to adopt an inter-institutional agreement with the European Parliament on transparency, accountability and parliamentary scrutiny on the basis of the policy principles set out in the New European Consensus on Development;
163. Welcomes the Court's recommendations for improving the transparency of Union funds implemented by NGOs published in the Special Report No 35/2018, where it, amongst other things, recommends that the Commission improve the reliability of the information on NGOs in its accounting system, and that the Commission improve the information collected on funds implemented by NGOs; calls therefore on the Commission to implement these proposals before the end of the current mandate;
164. Fully recognises the complex nature of many challenges and the need for multifaceted and complementary response actions, but insists on the need for clarity in funding arrangements and respect for international commitments;
165. Notes that the number of financial instruments has increased considerably which allows for new blending opportunities in the transport sector, while at the same time creating a complex web of arrangements around the Union budget; is concerned that these instruments alongside the Union budget could risk undermining the level of accountability and transparency, as reporting, audit and public scrutiny are not aligned; calls upon the Commission to find how the Union budgetary system could be reformed, in particular as how best to ensure that overall funding arrangements are not more complex than necessary to meet Union policy objectives and guarantee accountability, transparency and auditability;

EFSI

166. Points out that the budgetary authority increased the EFSI guarantee from EUR 16 billion to EUR 26 billion and the target investment volume from EUR 315 billion to 500 billion and that by the end of 2017, the EIB Group had signed EUR 36,7 billion worth of contracts (2016: EUR 21,3 billion);
167. Notes that, according to the Court, 64 % of the total value of EFSI contracts that the EIB Group had signed by the end of 2017 was concentrated in six Member States: France, Italy, Spain, Germany, UK, Poland;
168. Regrets the fact that only 20 % of EFSI financing has supported projects that contribute to climate change mitigation and adaptation, whereas the EIB's standard portfolio has attained the 25 % threshold; calls on the Commission to propose sustainable finance or funding options and an environment conducive to investment reflecting the Union's commitments and general goals, with a view to fostering innovation and economic, social and territorial cohesion within the Union, as well as to reinforcing the social dimension of investment by bridging the investment gap in the social sector and with regard to infrastructure safety;
169. Calls on the Commission to ensure that EFSI's management bodies take into account the need for a proper geographical balance when signing contracts and to report back to the Parliament on the progress achieved;

Research area

170. Notes that in terms of payments, in 2017 the Commission invested EUR 11,2 billion in the area of research and innovation (R&I), 58 % being managed directly and 42 % allocated via entrusted bodies, and that of the latter, 18,2 % (EUR 583 million) were executed via Joint Undertakings and 16,8 % (EUR 540 million) were distributed via the European Investment Bank (EIB) and the European Investment Fund (EIF);
171. Calls on the Commission to report to Parliament's Committee on Budgetary Control during the second half of 2019 on the implementation and results of the financial instruments in the area of research;

Trust funds

172. Points out that aid to non-Union countries used increasingly alternative financing models — such as trust funds and the Facility for Refugees in Turkey — which increases the complexity of existing financial structures; however acknowledges that these instruments have made it possible to react swiftly to challenging circumstances and provide flexibility;
173. Points out that pooling resources from the European Development Fund (EDF), the Union Budget and other donors in trust funds should not have as consequence that money flagged for development and cooperation policy do not reach their normal beneficiaries or pursue their original objectives, such as the eradication of poverty and the promotion of fundamental rights;
174. Points out that the increased use of trust funds also stems from a lack of flexibility currently possible within the Union budget;
175. Highlights that the increasing use of other financial mechanisms to deliver Union policies alongside the Union Budget risks undermining the level of accountability and transparency as reporting, audit and public scrutiny arrangements are not aligned; calls, therefore on the Commission to consider putting an end to trust funds, especially where their 'emergency' nature is not well justified, where they are unable to attract significant contributions from other donors, and where fundamental rights violations risk to happen or third country authorities are involved that do not respect fundamental rights;

Facility for Turkey

176. Notes that in its Special Report No 27/2018 on the Facility for Refugees in Turkey, the Court found that, in a challenging context, the Facility for Refugees in Turkey rapidly mobilised EUR 3 billion to provide a swift response to the refugee crisis, but did not fully achieve its objective of coordinating this response effectively, or achieving sufficient value for money; asks the Commission to implement all recommendations made by the Court on the Facility for Refugees in Turkey, notably improving monitoring and reporting on cash-assistance projects and improving the operating environment for (International) Non-Governmental Organisations with the Turkish authorities, to ensure that funds are accurately targeting refugee projects and not used for any other purposes; calls on the Commission to report regularly to the Parliament on the compatibility of the actions financed with the underlying legal basis;
177. Notes in addition that according to the Court, the audited projects provided helpful support to refugees and that most of them achieved their outputs, but half of them had not yet achieved their expected outcomes;
178. Notes that the European Ombudsman has concluded that the Commission should do more to ensure that the EU-Turkey Statement respects EU fundamental rights, and therefore calls on the Commission to systematically include fundamental rights considerations in its decisions under this facility, including through fundamental rights impact assessments; calls on the Commission to report on this regularly to the European Parliament;
179. Regrets that an investigation by EIC European Investigative Collaborations has raised doubts about the use of funds from the instrument; calls on the Commission to thoroughly investigate the matter and to report to Parliament on the results;
180. Calls on DG DEVCO to revisit by 2020 the existing guidance to beneficiaries of projects implemented under indirect management, with the aim of ensuring that planned activities are executed in a timely manner and contribute to the practical use of the projects outputs, to obtain the best value for money;
181. Notes that the Court indicates that the level of error in spending on 'Administration' was not material; nevertheless notes with concern that the error rate increased when compared to the previous year (0,55 % in 2017 and 0,2 % in 2016);
182. Notes that while the Court did not find any significant weaknesses, it did find recurring areas where there was scope for improvement;

International Management Group (IMG)

183. Notes that the Court of Justice in its final and unappealable judgment of 31 January 2019 on the International Management Group (IMG) case ⁽⁷⁾ annuls two decisions of the Commission: (1) not to conclude any new delegation agreements for indirect management with IMG from 8 May 2015; and (2) to reallocate EUR 10 million from IMG to the German public operator GIZ for a contract on technical assistance to Myanmar's trade policy; notes, in addition, that according to the Court of Justice, it is necessary to decide on the amount of the financial compensation due to IMG because of the damage caused by the Commission's decision of 8 May 2015, and the Commission must dismiss all the cross-appeals presented by it;
184. Notes the conclusion of the Court of Justice that the legal arguments developed by the European Anti-Fraud Office (OLAF) on which the Commission based its decisions concerning IMG constitute a legal error both in terms of international law and the Union's Financial Regulation; regrets that, as the Court of Justice explains, in its investigation of IMG OLAF has exceeded its powers and has not taken into consideration the requirements of the guarantee code so often claimed by Parliament; supports in this regard any further measures ensuring that the ongoing revision of the OLAF Regulation establishes the necessary control of procedural guarantee and appeal possibilities to avoid such harmful actions which erode the credit and the trust of citizens in the Union;
185. Takes also note of the judgment of 13 February 2019 of the Permanent Court of Arbitration situated in the Hague ⁽⁸⁾ according to which the Commission is due to pay EUR 2 million, which it has refused to do based on the allegations against IMG and on the OLAF investigation, for expenditures invoiced by IMG on seven joint management contracts signed with the Commission;
186. Deeply regrets that since 2012 the Parliament's procedure for the Commission discharge has been unable to reveal the false allegations against IMG or to contribute to avoiding the serious damage to IMG both financially and reputationally, including the loss of more than 200 jobs;
187. Urges the Commission to implement the judicial decisions and to fully recognise IMG's status as an international organisation, which was incorrectly put into question and denied by it and by OLAF; calls on the Commission to undertake all necessary measures in order to repair and compensate the damages inflicted on IMG and to ensure that IMG can participate in a fair procedure as is provided for international organisations in the Financial Regulation; asks the Commission to report to the discharge authority as soon as possible on the measures taken;

Administration*Nomination procedure for the designation of the secretary general of the Commission*

188. Is not satisfied by the Commission's reactions to the media's and general public's valid concerns on the procedure immediately after the appointment of the Secretary-General of the Commission took place, or by Commission's explanations presented at the European Parliament's plenary debate and in its written response to the European Parliament's resolution of 18 April 2018 on the integrity policy of the Commission, in particular the appointment of the Secretary-General of the European Commission ⁽⁹⁾, which were evasive, defensive and legalistic, demonstrating a lack of sensitivity for the importance European citizens attach to transparent, fair and open recruitment procedures;
189. Recalls, in this context, the European Ombudsman's finding of four instances of maladministration in its Recommendation in joint cases 488/2018/KR and 514/2018/KR; notes that the Ombudsman's conclusions are 'largely similar to those of the European Parliament' and that it agrees with the European Parliament's assessment that the double appointment stretched and possibly even overstretched the limits of the law; stresses the Ombudsman's final recommendation to the Commission that the Commission should develop a specific procedure for its Secretary-General, separate and independent from other senior appointments; regrets, therefore, the Commission's defiant reply to the Ombudsman of 3 December 2018, which shows little discernment of the points raised by the Ombudsman following the Ombudsman's examination of 11 000 pages of documentation; calls on the next College of Commissioners and their president to review the appointment in light of the Ombudsman's findings and Parliament's resolution;

⁽⁷⁾ Judgment of the Court of Justice of 31 January 2019, *International Management Group v European Commission*, Joined Cases C-183/17 P and C-184/17 P, ECLI:EU:C:2019:78.

⁽⁸⁾ PCA Case No 2017-03.

⁽⁹⁾ Texts adopted, P8_TA(2018)0117.

190. Takes into account the fact that Commissioner Oettinger organised an interinstitutional round table on senior management selection and appointment on 25 September 2018, although the meeting seems to have been inconclusive; calls therefore on the Commission to put in practice paragraph 29 of its abovementioned resolution of 18 April 2018;
191. Calls on the Commission, as well as on all European institutions to review, where necessary, nomination procedures, in particular for senior officials and where relevant for cabinet members, and to take additional measures to improve transparency, fairness and equal opportunity during appointment procedures on the basis of the European Ombudsman's findings and the study of the European Parliament on the appointment procedures in the EU institutions; calls on the Commission to report back to the European Parliament by 31 August 2019 on the progress made;
192. Requests the immediate resignation of the Secretary-General and the opening of a fair, fully transparent and open competition for this post.

European Schools

193. Notes that the European Schools received EUR 189,9 million from the European budget in 2017;
194. Acknowledges that the Court's review did not reveal material errors in the final consolidated financial statements of the European Schools for 2017 and that the European Schools and the Central Office prepared their annual accounts within the legal deadline; notes however that the internal control system of the European Schools still needs further improvements to meet the recommendation made by the Court and the European Commission's Internal Audit Service (IAS);
195. Finds it exasperating that after more than 15 years there is still no sound financial management system in place for European schools;
196. Remains concerned by the significant weakness in the internal control systems of the Central Office and selected Schools, in particular in payment systems, control environment and recruitment process;
197. Notes that the Court has been unable to confirm that the Schools' financial management in 2017 was compliant with the Financial Regulation and its implementing rules: demands, therefore, further efforts in closing the remaining recommendations related to the management of extra-budgetary accounts, improvement of the accounting and internal control systems, as well as recruitment and payment procedures and the development of the guidelines to improve budgetary management;
198. Reiterates Parliament's view that a 'comprehensive review' of the European Schools system is urgently required to consider 'reform covering managerial, financial, organisational and pedagogical issues' and recalls its request that 'the Commission submit annually a report giving its assessment of the state of progress' to Parliament;
199. Finds it unacceptable that, according to the Commission, eight critical or very important recommendations issues by the Commission's Internal Audit Service over the period 2014-2017 are still pending; requests to obtain a progress report on these recommendations implementation by 30 June 2019;

Follow-up of the Commission discharge for 2016

200. Notes that in the Communication of the Commission on the follow-up of the 2016 discharge, the Commission made a selection of the 394 issues that are raised by the Parliament for the financial year 2016 and did not comment on 108 paragraphs; demands that the Commission reply in detail to all the issues raised by the European Parliament in its resolutions forming an integral part of its decisions on the discharge;
201. Welcomes the fact that the Commission has responded to Parliament's remarks on the External Assistance Management Reports (EAMR) and Key Performance Indicators contained in its resolution of 18 April 2018 on discharge for the financial year 2016 ⁽¹⁰⁾, and has made changes in order to improve those; notes that the Commission has transmitted the 2017 EAMR to the Parliament without confidentiality constraints but regrets that the access to those reports *de facto* has become more cumbersome; looks forward to a facilitated access for Parliament to those reports in the future;

⁽¹⁰⁾ OJ L 248, 3.10.2018, p. 29.

Miscellaneous issues

202. Is concerned by the Commission's delay in addressing the growing problem of the disparity in the correction coefficient applied to European civil servants posted to Luxembourg, given that by 2018 this disparity had more than tripled (16,8 %) as compared to the threshold of 5 % laid down in the Staff Regulations of Officials of the European Union, with the resulting erosion of the attractiveness of Luxembourg and unfair discrimination against more than 11 000 European Union officials, obliging more than one third of them to reside in neighbouring countries, thus worsening cross-border traffic; notes that other international institutions located in Luxembourg have already given a positive solution to this problem; urges the Commission to examine itself the existing problem of the current correction coefficient and to undertake the necessary measures;
203. Points out that impact assessments are an indispensable part of the policy cycle; regrets that on occasion, legislative proposals made by the Commission lack a comprehensive impact assessment; further regrets that in some cases, the Commission has failed to take fundamental rights into account; reiterates that impact assessments should be based on evidence, and at all times comply with fundamental rights that are enshrined in the Charter of Fundamental Rights;
204. Urges the Commission to terminate as soon as possible, as already done in 2018 with the convention with doctors and dentists, the convention with Luxembourg hospitals on over-charging for the treatment of officials and other servants of the European Union in Luxembourg, which costs more than EUR 2 million per year and is in breach of Directive 2011/24/EU of the European Parliament and of the Council ⁽¹⁾ as regards the equal treatment of European patients, in line with the judgment of the Court of Justice of 3 October 2000 ⁽¹²⁾;
205. Calls on the Commission to carry out the most rigorous and most up-to-date analysis of the impact of the design of open spaces, as those in the new JMO II building, with regard to the effect on productivity and provision of decent workplaces and working conditions for the staff concerned; asks the Commission to inform the Parliament of the outcome of this analysis;
206. Stresses the necessity to further implement active and effective measures to prevent and combat all forms of harassment and mobbing; emphasises the urgent need for stricter standards on mobbing and harassment at work, and the creation of an ethical culture to prevent any form of abuse inside the Commission and the institutions of the Union;

2014-2017: How the European Parliament contributed to and continues to contribute to establishing sound financial management structures in the Commission and in the Member States*Performance-based budgeting and auditing*

207. Insists that the planning, implementation and reporting on the achieved results of the European Union budget should be policy-driven;
208. Insisted that the implementation of the European Union budget should focus on results and achieving broader positive outcomes and that the structure of the Union budget should be modified to provide for measuring progress and performance;
209. Encouraged, in this context, the Commission and the Court to pay greater attention to simplification, results and broader outcomes achieved, performance audits and the final impact of policies;
210. Stresses that any and all audits should be focused on the areas most likely to be subject to error, especially those with the greatest funding levels;
211. Cooperated closely with the Commission to develop the Article 318-Evaluation-Report into a comprehensive synthesis report, recording the progress in different policy areas, which later became the first part of the Annual Management and Performance Report;

⁽¹⁾ Directive 2011/24/EU of the European Parliament and of the Council of 9 March 2011 on the application of patients' rights in cross-border healthcare (OJ L 88, 4.4.2011, p. 45).

⁽¹²⁾ Judgment of the Court of Justice of 3 October 2000, *Angelo Ferlini v Centre hospitalier de Luxembourg*, Case C-411/98, ECLI:EU:C:2000:530.

Integrated internal control framework

212. Supported the inclusion of Article 63 in the revised Financial Regulation, which introduces the 'single audit scheme' into the shared management, emphasising that well-functioning management and control systems at national and European level are a crucial element in the single audit chain; agrees that the single audit approach allows a better use of resources and should avoid duplication of audits at the level of beneficiaries; notes that the Commission's single audit strategy is to ascertain the reliability of audit results and error rates reported annually by audit authorities and to monitor their work through a robust and coordinated control and audit framework; encourages the Commission to continue monitoring and reviewing the work of audit authorities in order to ensure a common audit framework and reliable results;

Research

213. Advocated clearer rules and greater use of the simplified cost option (SCO), i.e. lump-sum payments under the Horizon 2020 programme;

Structural funds

214. Insisted on strengthening the responsibilities of national management and audit authorities for the budget implementation;
215. Supported the move away from 'reimbursement' (reimburse incurred costs) to 'entitlement' schemes which reduce considerably the risk of errors;

Agriculture

216. Advocated that environmental requirements should be reinforced, that income support should be more fairly allocated with progressive payments scheme favourable to small farms and sustainable and environmentally friendly farming and that the CAP should urgently and definitively be made more attractive to young farmers;
217. Called on the CAP to become more environmentally sensible whilst farmer-friendly;

Migration

218. Contributed Union funding to meet the increased migratory challenges for the period 2015-2018 by doubling the funding to EUR 22 billion;
219. Called on the Member States to address the root causes of migration in coordination with development policy as well as with external policy;

Union foreign affairs

220. Called for Union foreign affairs to be consistent and well-coordinated and that the EDF, trust funds and financial instruments be managed in step with internal policies;

Administration

221. Insisted on the revision of the Code of Conduct for Commissioners, which finally entered into force on 31 January 2018;
222. Insisted that the recruitment procedures for senior positions in European institutions and bodies be revised and that all vacant posts should be published in the interest of transparency, integrity and equal opportunities;
223. Continued to advocate a policy of zero-tolerance for fraud;

Recommendations for the future*Reporting*

224. Recalls that for future years, Article 247(1)(c) of the Financial Regulation sets out an obligation for the Commission to communicate annually to the European Parliament and the Council an integrated set of financial and accountability reports, including a long-term forecast of future inflows and outflows covering the next 5 years;

225. Insists that that report should analyse the impact of commitments to the size of payments' backlog of a given Multiannual Financial Framework;
226. Calls on the Commission, for management and reporting purposes, to establish a way of recording Union budgetary expenditure that will make it possible to report on all funding related to the refugee and migration crisis, as well as for the future Union policy on management of migration flows and integration;
227. Wonders why the Commission uses two sets of objectives and indicators to measure the performance of financial management: on the one hand, the Commission's Directors-General evaluate the achievement of the objectives defined in their management plan in their AARs, and, on the other, the Commission measures the performance of spending programmes via the programme statements of operational expenditure annexed to the draft budget; calls on the Commission to make its reporting based on single set of objectives and indicators;
228. Points out that performance information is mainly used at DG level to manage programmes and policies; is concerned that as the performance information that meets day-to-day management needs is not aligned with the Commission's external reporting responsibilities, DGs do generally not use the Commission's core performance reports to manage their performance of the Union budget;
229. Points out that there is no requirement for DGs or the Commission to explain in their performance reports how they used performance information in decision-making; calls on the Commission to include such information in their future performance reports;
230. Regrets once again that AARs do not include a declaration on the quality of the reported performance data, and that consequently in adopting the Annual and Performance Report (AMPR), the College of Commissioners takes overall political responsibility for the financial management of the Union budget but not for the information on performance and results;
231. Points out that the Communication to the Commission on the Governance in the European Commission adopted on 21 November 2018 (C(2018) 7703) does not modify the distinction made between the 'political responsibility of Commissioners' and the 'operational responsibility of Directors-General' introduced by the administrative reform of 2000; observes that it has not always been made clear whether 'political responsibility' encompasses responsibility for the directorates-general, or is distinct from it;
232. Reiterates the findings of the Court's 2017 audit, indicating that the 'Commission should make better use of its own performance information and develop an internal culture more focused on performance'; consequently, calls on the Commission to incorporate performance-based budgeting in their whole policy cycle;
233. Deplores the increasingly late publication of the Commission's 'Annual Report on the implementation of the European Union's instruments for financing external actions', practically hampering Parliament's oversight and public accountability, with the report on 2016 published only in March 2018 and the report on 2017 still outstanding; invites the Commission to publish the report on 2018 by the end of September 2019 at the latest and to maintain this calendar for subsequent years;
234. Notes that a number of weaknesses were found in the performance measurement systems of Member State authorities, in large part related to projects completed under the 2007-2013 period; invites the Commission to improve the overall performance measurement system, including the presence of result indicators at project level to allow the assessment of the contribution of a given project to specific operational programmes objectives; notes that the legislation covering the 2014-2020 programming period has strengthened the intervention logic and focus on results;
235. Reiterates its request that the Commission, in view of the multiple sources of funding, provides an easy access to projects, in form of a one-stop-shop to allow citizens to clearly follow the developments and funding of infrastructures co-financed by Union funds and by the EFSI; encourages the Commission therefore to publish, in cooperation with the Member States, an annual overview of transport and tourism projects that have been co-financed through the ERDF and cohesion funds as it is practised for the CEF;
236. Calls on the Commission to:
 - (a) streamline performance reporting by:
 - further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the performance of the Union budget,
 - improving the alignment between high-level general objectives and specific programme and policy objectives;

- (b) better balance performance reporting by clearly presenting information on the main Union challenges still to be achieved;
 - (c) provide a declaration on the quality of the reported performance data;
 - (d) take overall political responsibility in the AMPR for the information on 'performance and results';
 - (e) include up-to-date performance information in performance reporting, including in the AMPR, on progress made towards achieving targets and always take, or make proposals for, action when these targets are not met;
 - (f) indicate how performance information concerning the Union budget has been used in its decision-making;
 - (g) introduce or improve measures and incentives to foster a greater focus on performance in the Commission's internal culture, taking into account in particular opportunities offered by the revised Financial Regulation, the Budget Focused on Results initiative, performance reporting for on-going projects, and other sources;
 - (h) develop data processing methods for the vast quantities of data created by performance reporting with the goal of giving a timely, fair and true picture on achievements; insists that performance reporting should be used to take corrective action when the objectives of programmes are not met;
237. Recommends that the Court continue to provide a separate chapter for security and citizenship in its annual report and to deepen its analysis in this regard, as the public and political interest in the security and migration part of the Union budget is much higher than its financial share;
238. Asks the Commission to provide the Parliament with an overview of the cases — in Union-funded cohesion and rural development projects — where the Union reimbursement exceeds the actual costs incurred for a given project without VAT;
239. Welcomes the proposal made by the Court in its consultation paper on 'Recurrent reporting on the performance of EU action' to publish annually, in November of year N + 1, an evaluation of the performance of Union action, covering a detailed review of the performance information reported by the Commission in its Article 318 TFEU evaluation report; insists once again that this report should contain in a second part a detailed review of the synthesis of the financial management of the Commission as stated in the second part of the Annual Management and performance report;
240. Recalls that the ultimate objective of a more performance-focused audit analysis should be to put in place a global and consistent model based not only on assessing the implementation of the European budget, but also on achieving added value and the objectives of a Union political strategy 2021-2027 which should replace the Europe 2020 Strategy;
241. Insists that the Court should improve the coordination between project level performance assessments carried out in the context of the Statement of Assurance work and the remainder of its performance work, through the reporting, in particular, of the main conclusions of its special reports in sectoral chapters of its Annual report; considers this helpful for improving and reinforcing a systematic association of Parliament's sectoral policy committees in using the Court's products;
242. Requests the Court to provide the discharge authorities with an assessment in terms of both compliance and performance, of each European policy, following chapter by chapter the budget headings in the Court annual report;
243. Insists that the Court put in place an extended follow-up of its performance audit recommendations;
244. Stresses that women's rights and gender equality should be integrated and ensured into all policy areas; reiterates therefore its call for the implementation of gender budgeting at all stages of the budgetary process, including the implementation of the budget and assessment of its implementation;
245. Reiterates its demand to include in the common set of result indicators for the implementation of the Union budget also gender-specific indicators, with due regard to the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;

Error rate calculation and reporting

246. Is of the opinion that the Commission's methodology for estimating its amount at risk or errors has improved over the years but that individual DGs' estimations of the level of irregular spending are not based on a consistent methodology and that the AARs of the DGs and the AMPR use a complex terminology that could be confusing;
247. Notes in particular that the services of the Commission use at least all the following concepts: residual error rate, reported error rate, error rate at payment, error rate detected in the year, net residual error rate, weighted average error rate, error rate at closure or common representative error rate;
248. Points out, in addition, that for more than three quarters of 2017 expenditure, Commission DGs base their estimates of amount at risk on data provided by national authorities whilst it appears from the annual activity reports of the concerned Commission directorates-general (DG AGRI and DG REGIO) that the reliability of Member States control reports remains a challenge;
249. Notes that the reported global amount at risk at payment estimated by the Commission in its AMPR 2017 is based on figures of the individual services responsible for spending programmes which use different methods of calculation of the level of error reflecting different legal and organisational frameworks; underlines that further harmonisation of methods of calculation would increase the credibility, accountability and transparency of the reported global amount at risk and allow a clear picture of the situation with regard to residual error rate and the rate of risk on payment in the future;
250. Is worried, in addition, that the Annual Management and Performance Report compares very different figures and is therefore misleading, given that the Court's estimated level of error is an error rate at payment and without deduction of corrections, while the Commission's global amount at risk reported in the AMPR is calculated after deduction of corrections; finds it therefore impossible to make proper comparisons or to draw reliable conclusions; supports the Court in calculating the error rate without taking corrections into account; calls on the Commission to indicate error rates without and with corrections in all annual activity reports, as well as in the AMPR; would appreciate that, in order to find a solution to this incomparability, the Court express its opinion on the Commission's error rate after correction;
251. In this regard, asks the Commission to further harmonise its methods for calculating error rates with the Court, taking into account the different management modes and legal bases while making the error rates comparable, and to clearly distinguish the amount at risk with and without integrated financial corrections; requests also that the Commission present information about the corrective capacity for recovering unduly payments from the Union budget;
252. Reiterates its concern at the difference between the Commission's and the Court's methods for calculating errors, which prevents proper comparison of the error rates reported by them; stresses that in order to present a reliable comparison of the error rates reported by the Commission in its AMPR and the AARs of the Directorates-General and estimated by the Court, the Commission should use an equivalent methodology to that of the Court when assessing the error rate and that both institutions should conclude as a matter of urgency an agreement in this regard; calls on the Commission to present the data in a manner consistent with the methodology adopted by the Court and including the expected estimated corrections;
253. Asks the Commission and the Member States once again to put in place sound procedures to confirm the timing, the origin and the amount of corrective measures and to provide information reconciling, as far as possible, the year in which payments are made, the year in which the related error is detected and the year in which recoveries or financial corrections are disclosed in the notes to the accounts; asks the Court to mention the level of correction applied to calculate the error rate in its Annual Report, as well as the original error rate before corrections;
254. Deplores the fact that the Annual Management and Performance Report (AMPR) has not been audited by the Court whilst some annual activity reports (AARs), and in particular, the ones of DG EMPL and DG REGIO have been examined by the Court; calls on the Court carefully to examine and review the AMPR in its annual report;

Timely absorption and performance

255. Notes that the low absorption rate is mainly due to the later closure of the previous MFF, the late adoption of legal acts, difficulties in implementing the new requirements for the current MFF, the change in the de-commitment rules from N + 2 to N + 3 and the administrative burden linked to overlaps between MFF periods;
256. Deplores the fact that the Commission has not yet produced a comprehensive, long-term projection to aid decision-making for the next MFF that fully complies with the Interinstitutional Agreement;
257. Notes that the slow absorption of funds remains a problem in some countries; is therefore of the opinion that it is appropriate to leave the 'Task Force for Better Implementation' in place; notes also that the Commission has created a 'Catching-up Regions' initiative; in this context, points to the risk of accumulating a huge backlog of commitment appropriations by the end of the financial term;

Conflicts of interest, rule of law, fight against fraud and corruption

258. Deplores any kind of risk of breaching the values stated in Article 2 of the TEU and non-compliance with Article 61(1) of the Financial Regulation regarding conflicts of interest that could compromise the implementation of the Union budget and undermine the trust of Union citizens in the proper management of Union taxpayers' money; calls on the Commission to ensure that a zero tolerance policy with no double standards will apply regarding any breach of Union law, as well as conflicts of interest;
259. Calls on the Commission to enforce the European Parliament's resolution of 17 May 2017 on the situation in Hungary ⁽¹³⁾, Commission Recommendation (EU) 2018/103 of 20 December 2017 regarding the rule of law in Poland complementary to Commission Recommendations (EU) 2016/1374, (EU) 2017/146 and (EU) 2017/1520 ⁽¹⁴⁾ and the Proposal for a Council decision on the determination of a clear risk of a serious breach by the Republic of Poland of the rule of law submitted by the Commission on 20 December 2017 (COM(2017) 835);
260. Recalls the investigations OLAF conducted on the ELIOS and 'Heart of Budapest' projects where serious irregularities were found; in the first case a small amount of funds was recovered, whereas in the second case the Hungarian authorities accepted the financial correction, but it has still not been implemented; notes that the facts surrounding Metro-line four are still 'sub judice'; notes in addition, that in Slovakia there is an ongoing OLAF investigation on allegations of fraud, as well as that currently there are 6 conformity enquiries conducted by the Commission regarding direct payments;
261. Recalls with concern the outcomes of the missions of the Parliament's Budgetary Control Committee to Slovakia, which have revealed a series of shortcomings and risks for the management and control of Union funds and a risk of infiltration by organised crime, especially in the context of the murder of the investigative journalist Ján Kuciak; calls in this regard on the Commission and OLAF to take the conclusions and recommendations of the Committee outlined in its mission report, as well as on the Commission to actively monitor the situation, to take the necessary measures and to keep the Parliament informed about the follow-up;
262. Calls on the Commission to create a unified Europe-wide strategy for the active avoidance of conflicts of interest as one of its priorities with an adapted strategy of *ex ante* and *ex post* control; calls on the commission, OLAF and the future European Public Prosecutor's Office to include in this strategy the protection both of whistleblowers and of investigative journalists;
263. Calls on the Commission to ensure that action plans on conflicts of interest are prepared and implemented in each Member State, and to report back to Parliament on progress;
264. Welcomes the fact that the Commission publishes meetings of Commissioners with interest representatives; regrets, however that the subject matter discussed during the meetings is not included in the Register, calls on the Commission to complete the register by including the content of the meetings;
265. Notes that according to the Corruption Perceptions Index 2018, the situation in a large number of Member States has not improved or has even deteriorated; calls on the Commission to finally submit to Parliament a follow-up to its anti-corruption report of 2015, describing, preferably on an annual basis, the situation with respect to anti-corruption policies in the Member States as well as in the European Institutions;

⁽¹³⁾ OJ C 307, 30.8.2018, p. 75.

⁽¹⁴⁾ OJ L 17, 23.1.2018, p. 50.

266. Underlines that, according to the Code of Conduct for Commissioners in force since January 2018, former Commissioners must not lobby Commissioners or their staff on behalf of their own business, that of their employer client, or on matters for which they were responsible within their portfolio for a period of two years after ceasing to hold their office; calls on the Commission to bring this cooling off period in line with that for the President, i.e. three years;
 267. Welcomes the Ombudsman's findings and recommendations in her decision in the strategic inquiry OI/3/2017/NF on how the Commission manages 'revolving doors' situations of its members of staff; shares the Ombudsman's encouragement to the Commission to continue to lead by example but to take a more robust approach in its assessment of senior staff who leave the Union civil service; calls on the Commission to implement the improvements suggested by the Ombudsman and to follow up on the good transparency practices identified by her;
 268. Stresses that the opinions of the Ethical Committee on conflicts of interest must be proactively produced by the Committee, especially for Commissioners who leave the service; furthermore, stresses that the composition of the Ethical Committee should be strengthened with members from international organisations, such as OECD, and NGOs with expertise in the field of integrity policies;
 269. Recalls that in its abovementioned resolution of 18 April 2018, the European Parliament expressed its concerns at the appointment procedures for its senior officials; urges the Commission to continue the discussion with Parliament on the implementation of the various recommendations contained in Parliament's resolution;
 270. Is deeply concerned by the statement made in the European Commission Reaction dated 15 March 2019 which recognises that 'the Secretary-general contributed to correctly establish the replies relating to him in order to ensure that they are complete and exhaustive' which is definitely contrary to Article 11a of the Staff Regulation (Title II: Rights and Obligations of Officials) ⁽¹⁵⁾.
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⁽¹⁵⁾ 'An official shall not, in the performance of his duties and save as hereinafter provided, deal with a matter in which, directly or indirectly, he has any personal interest such as to impair his independence, and, in particular, family and financial interests.'