

RESOLUTION (EU) 2019/1552 OF THE EUROPEAN PARLIAMENT**of 26 March 2019****with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the SESAR Joint Undertaking for the financial year 2017**

THE EUROPEAN PARLIAMENT,

- having regard to its decision on discharge in respect of the implementation of the budget of the SESAR Joint Undertaking for the financial year 2017,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Transport and Tourism (A8-0118/2019),
- A. whereas the SESAR Joint Undertaking (the 'Joint Undertaking') was set up in February 2007 to run the Single European Sky Air Traffic Management Research (SESAR) programme, which aims to modernise traffic management in the Union;
- B. whereas, following the adoption of Council Regulation (EU) No 721/2014 ⁽¹⁾, the SESAR 2 programme extended the lifetime of the Joint Undertaking until 31 December 2024;
- C. whereas the Joint Undertaking was designed as a public-private partnership, with the Union and Eurocontrol as founding members;
- D. whereas the Union contribution for the deployment phase of the SESAR 2 Programme 2014 to 2024 funded by Horizon 2020 is EUR 585 000 000; whereas under the new Horizon 2020 Membership Agreements, the contribution from Eurocontrol is expected to be around EUR 500 000 000, and the other partners from the aviation industry will contribute with at least EUR 720 700 000, and being around 90 % the in-kind contributions from Eurocontrol and other partners;
- E. Notes that the Joint Undertaking has presented its budget in two separate sections: (1) SESAR 1 and (2) SESAR 2020; notes further that SESAR 1 was co-financed from TEN-T and the Seventh Research Framework programmes and SESAR 2020 is co-financed from Horizon 2020;

General

1. Observes from the report of the Court of Auditors (the 'Court') on the Joint Undertaking's annual accounts for the year ended 31 December 2017 (the 'Court's report') present fairly, in all material respects, the financial position of the Joint Undertaking at 31 December 2017, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer;
2. Acknowledges that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2017 are, in all material respects, legal and regular;
3. Notes that at the end of 2017, the Joint Undertaking operated under four different sources of funding; notes the diversity of applicable legal frameworks with own templates and obligations under which the Joint Undertaking operates and acknowledges the high degree of complexity of such model;

Budget and financial management

4. Notes that in 2017, the total payment appropriations of the Joint Undertaking were EUR 191 813 383 (2016: EUR 157 152 638), EUR 213 022 000 (2016: EUR 162 851 972) including assigned revenue and carry-overs; notes that the commitment appropriations were EUR 113 346 265 (2016: EUR 99 073 761), EUR 130 944 000 (2016: EUR 101 407 854) including assigned revenue and carry-overs;
5. Notes that according to the Court's report the utilisation rates for commitment and payment appropriations were 80,24 % and 67,97 % respectively (95,7 % and 63,2 % in 2016);

⁽¹⁾ OJ L 192, 1.7.2014, p. 1.

6. Notes that the implementation rates for SESAR 1 commitments and payment appropriations were 11 % and 68 % respectively, with such a low rates explained by an unexpected assigned revenue of around EUR 17 million and that in December 2016, the SESAR 1 programme was formally closed and the last payment was done in December 2017, having the Joint Undertaking to ensure by the end of 2017 sufficient the Seventh Framework Programme funds for the reimbursement of cash contributions received in excess from the SESAR 1 industry members and for the payment of delayed but still justified cost claims for on-going the Seventh Framework Programme projects;
7. Notes that for SESAR 2020, the commitments and payments were 92 % and 68 % implemented respectively, being the last one low due to delays in the implementation of the Horizon 2020 projects conducted by the industry members and a rather conservative budget planning considering the risk of delayed reception of the annual financial implementation delegation agreements;
8. Notes that 476 cost statements were audited as part of the 2016 audit, representing all 15 members and amounting to EUR 120 000 000 or 14 % out of the total costs claimed of EUR 884 000 000, with a residual error rate of 1,09 %;

Multiannual budget implementation under the Seventh Framework Programme and TEN-T

9. Notes that out of the total operational and administrative budget of EUR 892 800 000 for SESAR 1 activities, by the end of 2017 the Joint Undertaking had made commitments of EUR 853 000 000 and payments of EUR 801 000 000 (89,7 % of the available budget);
10. Notes that out of the EUR 1 254 500 000 of in-kind and cash contributions to be made by the other members to the operational and administrative activities of the Joint Undertaking (EUR 670 200 000 from Eurocontrol and EUR 584 300 000 from the air traffic sector members), by the end of 2017 the Joint Undertaking had validated contributions of EUR 1 099 900 000 (EUR 560 700 000 from Eurocontrol and EUR 539 200 000 from the air traffic sector);
11. Notes that at the end of 2017, cumulative cash contributions from the Union amounted to EUR 633 900 000, compared to total in-kind and cash contributions of EUR 560 700 000 from Eurocontrol, and EUR 539 200 000 from the air traffic sector members;
12. Notes that in 2017 the Joint Undertaking proceeded with the financial and administrative closure of SESAR 1; takes note that in 2017 SESAR 1 received EUR 37 million from the Union in order to cover the outstanding obligations towards the members of the Joint Undertaking resulting from the assessment of the final financial statements, received and reviewed in 2017 and also to cover the provision of probable additional audits, potential legal actions against the Joint Undertaking and the reimbursement of surplus cash contributions of its members; also notes that EUR 25,9 million was validated as cash contribution from Eurocontrol, of which EUR 13,4 million is from 2016, but is part of 2017 budget due to technical issues, and EUR 12,5 million for 2017; notes that the Joint Undertaking received EUR 16,8 million as exceptional revenues, mainly composed of recoveries related to members; welcomes the fact that the remaining cash surplus of EUR 23,1 million and payment appropriations of EUR 38,6 million are sufficient to meet all obligations and to close SESAR 1;

Multiannual budget implementation under Horizon 2020

13. Notes that out of the EUR 639 800 000 of Horizon 2020 operational and administrative budget allocated to the Joint Undertaking for the implementation of SESAR 2020, by the end of 2017 the Joint Undertaking had made commitments of EUR 236 700 000 and payments of EUR 112 300 000; notes, moreover, that those payments were mainly pre-financing payments for the first and second wave of SESAR 2020 projects;
14. Observes that the other members committed to make in-kind and cash contributions of at least EUR 825 900 000 to the Joint Undertaking's SESAR 2020 operational activities (about EUR 500 000 000 from Eurocontrol and an estimated amount of EUR 325 900 000 from the air traffic sector); notes, moreover, that at the end of 2017, the other members had reported in-kind contributions of EUR 97 300 000 but that they had not yet been validated;
15. Welcomes the fact that for the first time the Section 2 of the 2017 budget includes the running costs and the in-kind contributions related to SESAR 2020; notes that SESAR 2020 received EUR 75,5 million from the Union to cover the outstanding obligations of 2017 and the first months of 2018 and EUR 6,7 million was received from Eurocontrol as cash contribution for the running costs;

16. Takes note that at the end of 2017, the Commission's common Horizon 2020 grant management and monitoring tools had not finished the specific developments needed for the processing of the Joint Undertaking's in-kind contributions;
17. Notes that by the end of 2017, the cumulative Union cash contributions to the operational activities of the Joint Undertaking amounted to EUR 132 900 000 and the contributions from the air traffic sector and Eurocontrol amounted to EUR 104 000 000;
18. Notes that the first audits of SESAR 2020 indicate that the number and level of errors is lower due to simplifications introduced in Horizon 2020 and the increased experience of major beneficiaries;

Performance

19. Welcomes that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; regrets that information on third set of KPIs is not yet available due to insufficient projects maturity; notes however that the KPIs show that overall the targets were met; takes note that the experts call for further monitoring activity and analysis, making a clear distinction between the actually achieved KPIs at the end of each year and the projected KPIs;
20. Notes that the Joint Undertaking met its key policy and operational objectives as outlined in the Single Programming Document for the period 2017-2019;
21. Welcomes the publication by SESAR of the roadmap to ensure safe and secure drone operations across Europe; considers that a variety of innovations, including technologies related to Air Traffic Management (ATM), are required to safely integrate drones into European airspace; notes with interest its overview of the development of the European drone market to 2050 and the huge potential for Europe and its global competitiveness, as well as the actions that need to be taken in the coming 5 to 10 years to unlock that potential, including support for research and development achieved by setting up, at Union level, an ecosystem that encompasses both a regulatory framework and technology, and that brings together all key public and private stakeholders, and results in the provision of increased levels of Union funding, boosting small and medium-sized enterprises in the sector in particular;
22. Observes that the management cost ratio (administrative/operational budget) remains below the 5 %, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;
23. Notes with concern the interim value of leverage effect of 0,56 at the end of 2017; calls the Joint Undertaking to take steps to meet the estimated target leverage effect over the whole 2014-2020 period of 0,85;
24. Notes with appreciation the experts note that, in comparison to the operation of the Joint Undertaking under the Seventh Framework Programme, a greater emphasis is already placed on achieving a wider involvement of the full range of stakeholders for the implementation of the European Air Traffic Management Master Plan (the 'ATM Master Plan');

Procurement and recruitment procedures

25. Notes from the Court's report that at 31 December 2017, the Joint Undertaking employed 40 staff (2016: 44);
26. Notes the results of the 2017 Human Resources benchmarking exercise: 60 % operational posts, 30 % administrative and 10 % of neutral posts;
27. Points out that the Joint Undertaking launched eight procurement procedures, leading to 14 Framework and Direct Service Contracts; observes that the Joint Undertaking placed 29 Specific Contracts and 13 amendments, amounting the total value of the procurement activities finalised in 2017 to over EUR 5 540 000;

Prevention and management of conflicts of interests and transparency

28. Notes that during 2017 ten audits were carried out by a different external audit company and for one audit the Framework Contract of the Directorate-General for Budget had to be used due to an identified conflict of interest of the three firms in the Joint Undertaking Framework Contract; acknowledges that nine audits were performed by the statutory auditor; takes note that the Joint Undertaking has a revised framework contract in place for audit services with three external audit firms and the audit activity is performed solely by those firms; highlights the fact that no material issue has been identified in the audits performed to date that would require the attention of the Administrative Board;

Internal control

29. Welcomes with satisfaction that the Joint Undertaking has set up *ex-ante* control procedures based on financial and operational desk reviews, and performs *ex-post* audits of beneficiaries;
30. Welcomes the fact that the Joint Undertaking has continued to apply a multi-faceted approach for the purpose of effectively reviewing, managing and mitigating risks, and expects the Joint Undertaking to pay attention to critical corporate risks it has identified regarding ATM Master Plan and SESAR 2020;
31. Regrets that the external auditor observed shortcomings in the Joint Undertaking's financial control processes which are mainly due to the complex financial regulatory framework, the recent departure of key finance staff and the overload of work in the finance department;

Internal audits

32. Notes that as regards SESAR 1, the audit work is almost completed, after 20 audit exercises in seven selected members were planned of which 18 were completed in 2017 as part of the fourth cycle of audits as described in the Ex Post Audit Strategy of the Joint Undertaking; welcomes that the residual error rate for the year 2017 was 0,36 %;
33. Observes that the Commission's Interim Evaluation on the Joint Undertaking's operating activities under Horizon 2020 covering the period from 2014 to 2016 was carried out; notes that the Joint Undertaking's Administrative Board adopted an Action Plan in May 2018, which includes a number of activities that have been already initiated;
34. Notes that in October 2016 the Commission's Internal Audit Service (IAS) performed an audit on 'H2020 Grant processes'; observes that the IAS issued five recommendations, one of them being rated as 'very important'; notes furthermore that a detailed action plan has been set up and that by the end of 2017 the action plan for 4 out of 5 recommendations was implemented; invites the Joint Undertaking to report to the discharge authority on the implementation of the remaining open recommendation;
35. Notes that in October 2017, the IAS performed an audit on the Joint Undertaking's governance, risk management and internal control processes for coordination with the Common Support Centre (CSC) and the implementation of the CSC tools and services; observes that the IAS issued three recommendations; calls on the Joint Undertaking to report to the discharge authority on the implementation of these recommendations;

Other issues

36. Takes note that the Commission's Final Evaluation on SESAR 1 Programme (2007-2016) was carried out during 2017, showing that the Joint Undertaking is delivering on its objectives, helping to overcome fragmentation and create continuity of research goals; observes that the Commission's interim Final Evaluation on SESAR 2020 (2014-2016) was undertaken, concluding that Research partnerships between the Union, the private sector and the Member States are on track to deliver their objectives; welcomes the fact that an action plan was approved to address the recommendations raised in those evaluations;
37. Notes that the European airspace management remains fragmented and the Single European Sky as a concept has not yet been achieved; reiterates the vital role of SESAR in coordinating and implementing research into the SESAR project and meeting the project objectives;
38. Calls on SESAR and the Commission to evaluate the results of the deployment of SESAR solution, especially from the point of view of assuring the interoperability and of the steps forward in completion of the Single European Sky;

39. Observes that in 2017, the Court published a special report on the Single European Sky Initiative; regrets that this report together with the Commission's final evaluations observed delays in the execution of the ATM Master Plan and the misalignment between the fixed regulatory lifespan of the Joint Undertaking's activities and the planned duration of the work expected; further notes the Court's emphasis on the Joint Undertaking's need to reinforce its accountability on the execution of the ATM Master Plan;
 40. Notes that the auditors sampled sixteen SESAR projects, which were audited in five different countries, and involved various SESAR stakeholders; calls on the Joint Undertaking to fully take into account the recommendations of the special report and take appropriate action.
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