



Brussels, 25.6.2024
COM(2024) 267 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the follow-up to the discharge for the 2022 financial year

**REPORT ON THE FOLLOW-UP TO THE REQUESTS MADE BY THE EUROPEAN PARLIAMENT IN
ITS DISCHARGE RESOLUTIONS AND THE COUNCIL IN ITS DISCHARGE RECOMMENDATION
FOR THE FINANCIAL YEAR 2022**

1. Introduction

On 11 April 2024, taking account of a recommendation from the Council, the European Parliament decided to **grant discharge to the Commission for its implementation of the EU budget in 2022**. This decision on discharge was the last one of the 2019-2024 legislative term.

Over the past 5 years, the EU has made significant progress in the implementation of the EU budget:

- The EU budget was used as an **instrument to address crises**, in particular thanks to the flexibility and reallocations introduced under cohesion-policy funding, during both the COVID-19 pandemic and Russia’s war of aggression against Ukraine.
- The EU budget was also strengthened by a new instrument, the **Recovery and Resilience Facility (RRF)** – with a new delivery model that puts performance at the heart of budget spending. The RRF is being financed through EU borrowing on an unprecedented scale.
- Based on a proposal from the Commission, the co-legislators reached a political agreement on the **recast of the Financial Regulation** in December 2023. The revised text will bring: (i) more transparency as to the beneficiaries of EU funds (via a centralised Commission website); (ii) an extension of the Early Detection and Exclusion System to funds under shared management to better protect the EU budget from fraud and irregularities; (iii) more precise rules on conflicts of interest; and (iv) additional means to prevent disbursement of EU funds to individuals or entities that do not respect EU values.
- The EU significantly strengthened its toolbox to **protect the EU budget from fraudsters**, in particular through: (i) the establishment of the European Public Prosecutor’s Office (EPPO), which has been operational since June 2021; (ii) the adoption of a Commission anti-fraud strategy in 2019 – and its implementation throughout the period of the legislature; (iii) an anti-corruption package which includes a Commission proposal for a directive to combat corruption¹ by means of criminal law and a joint Communication² proposing a regime of sanctions against serious acts of corruption committed outside the EU; or (iv) the recent agreement on the Anti-Money Laundering Regulation and Directive.
- The EU equipped itself to **protect the EU budget from breaches of the principles of the rule of law**. The most notable development of this legislature in that regard is

¹ COM/2023/234 final.

² JOIN(2023)12 final.

the entry into force of the Conditionality Regulation³ in January 2021, and its application since then.

- The **Commission also significantly improved monitoring and reporting on the achievements of its budget.** The Parliament, the Council and the Commission have committed to spend at least 30% of all funding available under the 2021-2027 multiannual financial framework (MFF) and NextGenerationEU on addressing the climate challenge, and the Commission put in place a solid monitoring methodology to ensure that the EU sticks to its commitment.

These positive developments reflect the continuous and constructive cooperation between the European Parliament, the Council, the Commission, as well as with the European Court of Auditors (ECA).

This report on the follow-up to the 2022 discharge procedure is part of the Integrated Financial and Accountability Reporting and summarises the actions taken by the Commission in response to both: (i) requests made by the European Parliament in the ‘political priorities’ section of its discharge resolution⁴; and (ii) the main requests made by the Council in its recommendation on the discharge⁵. The Commission will provide more detailed and updated information in response to all specific recommendations when the 2023 discharge procedure begins later this year.

2. Monitoring the use of EU funds

The Commission attaches the utmost importance – and dedicates significant resources – to monitoring the use of EU funds, in cooperation with national authorities and implementing partners.

a. Spending in line with EU values, including the rule of law

The Commission agrees with Parliament’s call asking the Commission ‘to make full use of the tools available to address the clear risk of a serious breach of the EU’s values and to promptly invoke the Conditionality Regulation when breaches of the principles of the rule of law risk impacting the EU’s financial interests’⁶, in particular by monitoring the situation in all Member States, to identify at the earliest possible stage breaches of the principles of the rule of law falling within the scope of the Regulation, and it will continue to do so. On 12 January 2024, the Commission published a report on the application of the Conditionality Regulation⁷.

³ Regulation (EU, Euratom) 2020/2092.

⁴ European Parliament decision of 11 April 2024 on discharge in respect of the implementation of the general budget of the European Union for the financial year 2022, Section III – Commission and executive agencies – 2023/2129(DEC).

⁵ Council recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for financial year 2022 (6179/24).

⁶ See paragraph 11 – 2023/2129(DEC).

⁷ Communication from the Commission to the European Parliament and the Council on the application of Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget – COM(2024) 17. A corrigendum was published on 23 February 2024, with reference COM(2024) 17 final/2.

So far, the only procedure initiated under the Conditionality Regulation concerns Hungary. On 13 December 2023, the Commission reassessed Hungary's situation and found that Hungary had not adopted new remedial measures that would adequately address the outstanding issues. The risk to the EU budget had therefore remained unchanged since the Council decided on budgetary protective measures in December 2022. Accordingly, the Commission concluded that the Council's measures should remain in place. The Commission's reassessment lists all issues where remedial measures are still required, including improvements related to the mandate of the Hungarian Integrity Authority and to the situation of public interest trusts.

The Commission takes note of the observation in the Parliament's discharge resolution urging the Commission 'to guarantee a unitary, comprehensive and integrated approach across different funds and legislative instruments and to avoid a technocratic and contradictory approach across various financing instruments'⁸.

Three of the main instruments that are used to protect the EU budget from breaches of the principles of the rule of law are: (i) the Conditionality Regulation; (ii) the horizontal enabling condition on the EU Charter of Fundamental Rights under the Common Provisions Regulation⁹; and (iii) the milestones and targets that address rule of law challenges under national recovery and resilience plans (RRPs).

These instruments have **different objectives, scopes and legal frameworks**, as decided by the co-legislators. For example, the horizontal enabling condition about the EU Charter of Fundamental Rights¹⁰ applies only to the eight EU funds governed by the Common Provisions Regulation. In addition, the condition on the Charter does not protect the EU budget from the same misuses as the Conditionality Regulation, although there are overlaps. At the same time, the Conditionality Regulation can only be used if the Commission finds that other instruments would not protect the EU budget more effectively.

In the case of Hungary, in December 2023, the Commission considered that Hungary had adopted the necessary judicial reforms allowing the Commission to conclude that the horizontal enabling condition on the Charter in the area of judicial independence had been fulfilled. However, Hungary still did not comply with other areas of the horizontal enabling condition on the Charter, in relation to academic freedom, the right to asylum, and LGBTIQ rights. The Commission has also found that Hungary still does not comply with several thematic enabling conditions.

Under the Conditionality Regulation, as mentioned above, the Commission concluded that the Council's measures should remain in place given that Hungary did not address all outstanding issues.

Lastly, in its RRP, Hungary committed to 27 'super milestones' to ensure the protection of the EU's financial interests and strengthen judicial independence. These 27 super milestones include 4 super milestones on judicial independence, which correspond to the measures

⁸ See paragraph 11 – 2023/2129(DEC).

⁹ Regulation (EU) 2021/1060.

¹⁰ The horizontal enabling condition in the Charter requires Member States to implement their spending programmes in a way that complies with the EU Charter of Fundamental Rights. See Annex III of Regulation (EU) 2021/1060.

requested of Hungary by the Commission under the horizontal enabling conditions on the Charter, and 21 super milestones which correspond to the remedial measures to which Hungary committed under the procedure pursuant to the Conditionality Regulation. The 2 other super milestones relate to measures to improve audit and control of the implementation of the RRP. No payment request can be satisfied as long as the super milestones are not fulfilled.

The Commission will continue to thoroughly apply the set of tools it has at its disposal to protect the EU budget from breaches of the principles of the rule of law. In preparing the EU's next long-term budget, the Commission will draw lessons from the application of the current set of tools.

b. Protecting the budget from fraudsters

The Commission notes Parliament's call 'for the capacities of the EPPO and OLAF, as well as cooperation between them, to be strengthened further and their competences to be better defined'¹¹.

- Capacities of the EPPO and the European Anti-Fraud Office (OLAF)

Despite the very strict budgetary constraints under the budget headings 'Resilience and Values' (for the EPPO) and 'European Public Administration' (for OLAF), the **EPPO was strengthened with 33 additional posts in 2024**, reaching a total of 232 posts in the central office. This includes the resources proposed by the Commission on 9 April 2024 in Draft Amending Budget No 3/2024 to cater for: (i) the participation of Poland in the EPPO; and (ii) the expected participation of Sweden in the coming months. The strengthening of the EPPO with additional posts takes into account the large increase in the EPPO's operational activities since its entry into operation in June 2021, with 1 927 investigations ongoing by the end of 2023.

On OLAF, the 2024 budget provides for **two additional external staff** redeployed from other parts of the Commission to monitor the flow of funds to Ukraine.

- Cooperation between the EPPO, OLAF and other anti-fraud actors

The EPPO-OLAF cooperation ensures the complementarity of their respective mandates and avoids duplication of work. The EPPO and OLAF together with the other anti-fraud actors¹², are cooperating intensively in tens of cases every year. OLAF, together with national authorities and other EU institutions, bodies, offices and agencies inform the EPPO whenever they identify a suspicion of an offence falling within the EPPO's remit. Furthermore, OLAF complements and contributes in a number of cases to the operational effectiveness of EPPO investigations by conducting complementary administrative investigations and providing it with support where necessary.

After almost 3 years of cooperation, there are several success stories:

¹¹ See paragraph 12 – 2023/2129(DEC).

¹² Europol, Eurojust, anti-fraud co-ordination services in the Member States, the Commission and the ECA.

- In 72 instances, OLAF has opened complementary investigations following the opening of an EPPO investigation. To date, this has led to recommendations for the recovery of **nearly EUR 300 million**.
- In 26 cases, OLAF offered **operational support** to the EPPO, including forensics analysis of evidence acquired by the EPPO, which in turn has been included in the criminal file.

To further strengthen their cooperation, an **operational partnership conference** of OLAF and the EPPO took place on 22-23 April 2024. European Delegated Prosecutors from the EPPO and investigators from OLAF exchanged their respective experiences and possible future improvements they could make to their cooperation.

In addition, in accordance with the OLAF Regulation¹³ and the EPPO Regulation¹⁴, the implementation of both sets of legal acts should be evaluated by 1 June 2026. The effectiveness and efficiency of the cooperation between the EPPO and OLAF will be an important part of the ongoing evaluations of both Regulations. These evaluations will thus be synchronised as much as possible in terms of content and timing, to ensure synergies and avoid overlaps and contradictions.

- **The revision of the Financial Regulation and the fight against fraud**

Lastly, the targeted revision of the Financial Regulation, politically agreed in December 2023, will strengthen the protection of the EU budget by: (i) ensuring standardised electronic recording and storage of **data on the recipients of EU funding and their beneficial owners**; and (ii) making the use of an **integrated IT system for mining and risk-scoring** of data on recipients and beneficial owners compulsory in all budget-management modes, starting from the post-2027 MFF.

c. Limiting spending errors

The Commission concurs with Parliament’s observation that ‘spending areas subject to more complex rules and eligibility criteria are at higher risk of errors’¹⁵.

Most of the Commission’s actions to limit spending errors – which often include simplifications of rules – are taken at the level of the spending programme, as each spending programme differs in terms of delivery model and control system.

Under the **common agricultural policy (CAP)**, the Commission and the ECA agree that the level of spending errors for income support to farmers is currently below the 2% threshold above which errors are considered to be material. Hence, efforts to reduce the level of error are focused on rural development and market measures, where the level of error remains higher. In addition, the delivery model for the 2023-2027 CAP supports the simplification of rules by allowing Member States to tailor the interventions to their needs. The new CAP also fosters the use of new technologies which should help tackle errors.

¹³ Regulation (EU, Euratom) No 883/2013.

¹⁴ Council Regulation (EU) 2017/1939.

¹⁵ See paragraph 17 – 2023/2129(DEC).

For the **cohesion policy funds**, the Commission actively cooperates with all programme authorities to improve their capacities to detect and address errors through various means (guidance; targeted support and continuous training; and feedback from Commission auditors to national authorities about non-detected errors and their root causes). In parallel, the Commission promotes the less-error-prone **simplified cost options** and **financing not linked to costs**.

On **funding for research and innovation**, Horizon 2020 already introduced major simplifications. Horizon Europe is continuing this simplification effort. This includes greater use of simplified forms of funding, such as lump-sum project funding and unit costs, which significantly reduce the administrative burden for beneficiaries, and are therefore expected to reduce the number of errors. In addition, the Commission has further strengthened its communication campaigns towards beneficiaries, with a focus on the declaration of personnel costs, the calculation of which is prone to error.

Lastly, the Commission is currently reviewing its audit and control strategy for the **Neighbourhood, Development and International Cooperation Instrument**. One of the main objectives of this review is to develop a sound and focused risk-profile methodology to better assess and address the risk of error.

d. Monitoring the implementation of the RRF

The Commission notes that, in the discharge resolution, Parliament regrets that ‘milestones have not been better defined and calls on the Commission to monitor Member States’ implementation of the associated actions in accordance with the agreed milestones and targets’¹⁶.

The Commission assessed that all milestones and targets of the 2022 payments have been satisfactorily fulfilled. The ECA agreed with almost all of the Commission’s individual assessments. In only a few instances did the ECA have a different interpretation, or a different reading of the legal basis, leading it to conclude that a milestone or target was not satisfactorily fulfilled.

When a **national RRP is revised**, the Commission strives to clarify measures and related milestones and targets, while maintaining the overall ambition of the national RRP, in particular on reforms addressing country-specific recommendations.

Moreover, the Commission has taken steps to reduce **administrative burden** and **streamline the implementation of RRFs**, whilst ensuring the adequate protection of the EU’s financial interests and full compliance with the RRF Regulation. In its updated guidance on RRFs, simplifications were introduced to support their swift implementation and provide more clarity to Member States on their amendments.¹⁷

The Commission equally notes Parliament’s concern that ‘the Court, in its assessment of the RRF, identified shortcomings in the Commission preliminary assessment and ex post audits and considers that weaknesses remain in the Member States’ reporting and control systems’¹⁸.

¹⁶ See paragraph 4 – 2023/2129(DEC).

¹⁷ Guidance on recovery and resilience plans of 31 May 2024

¹⁸ See paragraph 8 – 2023/2129(DEC).

Since the start of the RRF, the Commission has taken a dynamic approach to audit and control. It updated its **audit and control strategies** taking account of the findings and recommendations from the Commission’s internal audit service, the ECA and the Parliament.

In particular, the Commission **strengthened its checks on the Member States’ internal control systems** to verify how these systems ensure compliance with public procurement and State aid rules. All the Commission’s audits and fact-finding missions now include verifying that Member States regularly and effectively check compliance with public procurement and State aid rules.

The Commission also **updated its methodology for auditing the Member State’s control systems for the protection of the EU’s financial interests**. Since the entry into force of the RRF, it conducted at least one system audit on all 27 national control systems. Based on this audit work, and in the context of the revision of the RRFs, the Commission proposed, where necessary, additional audit and control milestones that need to be addressed before the next payment. To ensure that risks are adequately monitored and addressed throughout the life of the RRF, the Commission is actively conducting further audit work on a risk basis.

3. Performance of the EU budget

The Commission agrees with Parliament that ‘carrying out ex post and mid-term evaluations of financial programmes created to respond to crises, concerning their relevance, coherence and European added value [...]’¹⁹ is of paramount importance.

On 21 February 2024, the Commission published its **mid-term evaluation of the RRF**. The evaluation covers the five ‘better regulation’ criteria of effectiveness, efficiency, coherence, relevance, and EU-added value. An independent, external evaluation study contributed to the assessment. The evaluation concludes that, although it is not yet feasible to fully assess the impacts of the RRF, it is already apparent that it has proven to be a key tool to boost Member States’ implementation of structural reforms in line with the European Semester’s country-specific recommendations. However, it also appears that the RRF has not so far led to the administrative simplification that some Member States had hoped for.

The **preliminary evaluation** of the support provided under the **Coronavirus Response Investment Initiatives (CRII and CRII+)**²⁰ to respond to the impacts of the COVID-19 pandemic has shown that this support led to the efficient use of unspent funds from both the European Social Fund and the Fund for European Aid to the Most Deprived. The flexibilities offered to Member States to adapt their programmes resulted in the redirection of almost EUR 24 billion in cohesion-policy funding.

By the start of 2025, the Commission will also issue evaluations of the other instruments put in place under cohesion-policy funding to address recent crises²¹.

The Commission is also acting on the Council’s call ‘to increase the focus on results-based performance indicators that can be directly linked to the EU actions’²².

¹⁹ See paragraph 7 – 2023/2129(DEC).

²⁰ Preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+) – SWD(2023) 249.

²¹ The Cohesion’s Action for Refugees in Europe (CARE), the CARE+, the Flexible Assistance to Territories (FAST-CARE) and the Supporting Affordable Energy (SAFE) measures.

²² See paragraph 3 of the Council discharge’s recommendation (6179/24).

The Commission reports on the 2021-2027 core performance indicators²³ by spending programme in the programme-performance statements, which are part of the Annual Management and Performance Report. 45% of these indicators are results-based, demonstrating a strong emphasis on results.

In addition, in December 2023, the Commission unveiled the first impact report for the NextGenerationEU green bonds²⁴. This report measured the **concrete climate impact** of the investments financed by those green bonds in terms of greenhouse-gas emissions that have been avoided.

Lastly, the Commission also shares Parliament's view on the 'importance of continuing the efforts made in gender budgeting'²⁵.

The Commission has integrated cross-policy priorities into the EU budget, including the priority of **promoting gender equality**. In 2022, the Commission issued a methodology to quantify EU budget expenditure supporting gender equality. This methodology has been applied to the entire EU budget since the 2023 draft budget.

4. Outstanding budgetary commitments – 'reste à liquider' (RAL) and measures to speed up the implementation of EU funds

The Commission notes that, in the discharge resolution, Parliament 'is concerned that the late adoption of several sectoral regulations governing different EU policies, such as the cohesion policy, resulted in a significant delay in the implementation of the 2021-2027 programming period' and that it 'calls on the Commission to indicate to the discharge authority which measures it intends to take to address this situation'²⁶.

Outstanding commitments (commonly referred to as 'the RAL' – *reste à liquider*) are amounts that have been committed but not yet paid. The total RAL stood at EUR 543.0 billion at the end of 2023. The non-repayable part of NextGenerationEU contributed EUR 238.6 billion, which represents almost 44% of the total RAL²⁷.

The Commission will continue to monitor the implementation of the overall level of outstanding commitments and will also continue to propose, during the annual budgetary procedures, **levels of payment appropriations that adequately meet payment needs**.

Some **far-reaching simplifications** were adopted in the Common Provisions Regulation and as part of the new legislative framework for the CAP (in particular thanks to its new delivery model).

²³ Core performance indicators are listed in the annex of the regulations underpinning each spending programme.

²⁴ European Commission, Directorate-General for Budget, Green bonds – Impact and allocation report – NGEU report 2023, Publications Office of the European Union, 2023.

²⁵ See paragraph 16 - 2023/2129(DEC).

²⁶ See paragraph 18 - 2023/2129(DEC).

²⁷ Further information on the level of the RAL is included in: (i) the EU's 2023 annual accounts; (ii) Working Document V attached to the 2025 Draft Budget; and (iii) the annual report on the long-term forecast on the future inflows and outflows of the 2025-2029 EU budget. The Commission also provides relevant information to the Parliament and the Council during dedicated meetings three times a year.

The **Strategic Technologies for Europe Platform (STEP)**²⁸ provides additional flexibilities for spending dedicated to one of the three priorities of the platform across 11 EU programmes. Right after the entry into force of the STEP Regulation²⁹, the Commission started providing support and guidance to Member States – through meetings, replies to written questions and webinars – on the functioning of STEP to make the most of the flexibilities provided. As mandated by the co-legislators, the Commission issued guidance³⁰ in May 2024 on certain provisions of the STEP Regulation, including clarifying its objectives and sectors, and illustrating the conditions for technologies to be considered critical under STEP.

On Parliament’s call ‘on the Commission to take initiatives, such as technical assistance, to increase the absorption rate in the Member States on a permanent basis’ and to ‘closely monitor the progress of implementation in Member States [...] and to deliver a country-analysis to the discharge authority, identifying the recurrent problems, as well as the measures taken to optimise the situation’³¹, the Commission stresses that **absorption patterns vary significantly across management modes, programmes and Member States**.

For programmes implemented with national authorities, the Commission helps strengthen their administrative capacity and address bottlenecks in investments in many ways, be it through technical assistance in cohesion policy, the technical support instrument³², or measures supported by the RRF.

In addition, following the adoption of the 2021-2027 cohesion-policy programmes, **the Commission is participating in the work of the programmes’ monitoring committees**. If there is any indication of issues hindering smooth implementation, the Commission provides advice to – and cooperates with – the Member State concerned until the issue is resolved. Action plans can be agreed with the Member States if the programmes or parts of the programmes are being implemented slowly.

The submission of data to the Commission on the implementation of programmes falling under the Common Provisions Regulation is required more frequently than in the previous programming period. Data must now be submitted five times per year, providing the Commission with **almost real-time data on implementation progress** and enabling it to promptly increase its support to Member States.

Detailed absorption data by country are made available by spending programme. For the biggest programmes, information can be found under: (i) the Recovery and Resilience Facility’s scoreboard; (ii) the cohesion open data platform³³ and (iii) the Horizon dashboard.

²⁸ The Strategic Technologies for Europe Platform (STEP) was set up in March 2024 to support European Industry and boost investment in critical technologies in Europe. STEP will raise and steer funding across 11 EU programmes to 3 target investment areas: (i) Digital technologies and deep-tech innovation; (ii) Clean and resource efficient technologies; and (iii) Biotechnologies.

²⁹ Regulation (EU) 2024/795.

³⁰ C/2024/3148.

³¹ See paragraph 19 – 2023/2129(DEC).

³² As set up by Regulation (EU) 2017/825.

³³ Covering cohesion-policy funding, the 2014-2022 and 2023-2027 European Agricultural Fund for Rural Development and the 2023-2027 European Agricultural Guarantee Fund.

5. Looking ahead

Lessons learnt from past discharge procedures can inform reflections on the next long-term EU budget. One of the key takeaways from previous discharges is that the way funds are disbursed has a direct impact on the risk of error. Complex rules and too-rigid delivery models are responsible for both: (i) a large share of spending errors; and (ii) putting pressure on the administrative capacity of those implementing the budget and those benefiting from it.

The preparation of the next MFF will represent an opportunity to explore ways to further simplify delivery mechanisms, reduce the administrative burden on EU and national authorities in charge of implementing the budget, as well as the administrative burden on beneficiaries, while keeping a strong focus on sound financial management and on the performance of the EU budget.

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